Townsend, who was me linked to Princess Maya 1950s, were sold in last Canadian collector for the canad

Sothehy's said.

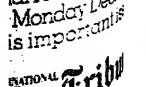
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HOTELS

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ESTABLISHED 1887

Dollar

On Steep

Bank Purchases

Fail to Stem Fall

Compiled by Our Staff From Dispatches NEW YORK — The dollar spi-raled downward on Friday, finish-

ing at a 10-month low against the yen and five-month lows against the Deutsche mark and the pound.

after central banks intervened in

what dealers labeled half-hearted attempts to support the currency.

The drop in the dollar extended a

sharp plunge that began after the U.S. presidential election Tuesday.

Traders said the slide was prompt-

ed by uncertainty over the monetary stance of the next U.S. admin-

istration under George Bush, the

president-elect, as well as doubts

whether the Group of Seven indus-trial nations still agree on ex-

In thin trading due on the Veterans Day holiday, the U.S. currency slid to 122.85 yen from 124.05 yen Thursday, and to 1.7375 DM from 1.7538. The dollar has fallen 2.3

percent against the yen and 2.9

percent against the mark since the

close of New York trading Tues-

day, before the U.S. election results

The British pound gained

The sliding dollar also pushed

The fall in stocks "reflects a drop"

in U.S. bond prices overseas and the dollar, which is falling almost uncontrollably," said Michael

Metz, a market stragegist at Op-

penheimer & Co. The New York

bond market was closed for a holi-

day, which also limited dollar trad-

lars on Friday, but foreign ex-change dealers said the interven-tion came too late.

market is waiting to test the resolve of the central banks, and given

that, unless there is strong interven-

tion or policy statements by the new Bush cabinet, the dollar will

Carmine Rotondo, a dealer at

"People know that G-7 is in con-

The U.S. Federal Reserve, which

other central banks, dealers

But U.S. officials took the offen-

in Washington that the dollar's cur-

"It was not enough," said Gary Taratunio, a trader at Manufacturers Hanover Trust Co. "The whole

Central banks in Japan, West Germany and Britain bought dol-

ing in the United States.

against the dollar, rising to \$1.8105 from \$1.7970 on Thursday.

down stock prices. (Page 8)

change-rate policies.

were known.

After Election

Decline

Speaker Quits Over Kristallnacht Speech Israelis

By Serge Schmemann New York Times Service BONN - The speaker of the

West German parliament resigned Friday, saying he was "shocked and depressed" by the political storm he precipitated with a speech Thursday in which he tried to show how Germans had been taken in 50 years ago by Hitler.

"My speech was not understood in the way I meant it by many of those who heard it," wrote Philipp Jenninger, a senior member of the ruling Christian Democratic Party who had been speaker of the Benwho had been speaker of the Bundestag for the past four years, in his message, of resignation, "I regret this deeply and I am very sorry if I wounded anyone's feelings."

After late-night deliberations

both government and opposition parties apparently agreed that Mr. Jenninger had to step down. Al-though he was not accused of sharing the pro-Nazi feelings he had tried to describe, the consensus among politicians, newspapers and many Germans on Friday was that Mr. Jenninger had seriously erred in the style and timing of his pre-

"He had no sense of occasion, he said true things at the wrong mo-ment," said Sebastian Haffner, a prominent publicist who has writ-ten extensively about German his-

tory and identity.
The 10th of November is not the right moment to think of fasci-nation with Hitler, which certainly existed," Mr. Haffner said. "If a man has been murdered, one doesn't speak at his funeral about the interesting personality of the murderer."

Mr. Jenninger's address was the keynote speech of a special session of the Bundestag on the 50th anni-versary of Kristalinacht, the nationwide Nazi pogrom that is com-memorated as the opening phase of the Holocaust, In numerous events around West Germany, most speakers had limited themselves to expressions of remorse and shame, as Mr. Jenninger had been expect-

By Don Oberdorfer

WASHINGTON -- The United

West

They said that less than a half-

dozen issues of substance remained

before the Vienna talks could reach

a successful conclusion after two

The completion of the talks,

which involve an updating and expansion of the 1975 Helsinki Final

Act, would permit East-West ne-

gotiations to begin on the reduction

of conventional military forces in

Europe. U.S. officials expressed

By Michael Wines

New York Times Service

is complete without a moment of foreshadowing, something Robert

T. Morris, a onetime student of

ancient Greek, knows all too well.

him and his son Robert Jr., a Cor-

nell University graduate student

who last week caused the biggest computer gridlock on record, the

moment came five years ago in a committee room of Congress.

virus. His testimony was blunt.

generation of children so technical-

The elder Mr. Morris, an expert

In the drama that has enveloped

WASHINGTON - No drama

completed by early next month and cool to the idea.

years of negotiations.

States, the Soviet Union and 33

other nations meeting in Vienna

are close to agreement on the most

extensive set of commitments on

human rights ever accepted by the

The agreement includes detailed

assurances of religious freedoms and specific deadlines for govern-mental decisions on applications to

Kiosk

Moscow Signs

Chemical Deal

MOSCOW (AP) - The So-

vict Union signed a deal with a consortium of U.S. and Japa-

nese companies Friday to build a 5 billion ruble (\$8.3

billion) petrochemical com-plex in Siberia, the Tass news

Kyodo news service of Ja-

pan identified companies in-volved as Mitsubishi Corp.

Mitsui & Co., and Chiyoda Corp. of Japan and Combus-

tion Engineering Inc. of the United States, United Press

International reported from

Tokyo. The project is believed

to be the largest with foreign concerns in the Soviet Union.]

The Federal Reserve

Board, headed by Alan

Greenspan, is on a collision

course with the future Bush

administration. Page 13.

To ease the transition, Presi-

dent Reagan asked all his top

appointees to resign. Page 3

Britain delayed its planned

sale of the Post Office savings

The Dollar

-DM 1.7375

Pound 1.8105

Business/Finance

General News

47.66

agency said.

international community.

travel abroad.



diplomatic jockeying in Vienna are

cords, on the iamming of foreign

radio broadcasts and on emigration

limits placed upon people who

have had access to secret informa-

While Washington, Moscow and other capitals debate those remain-

provisions that have been accepted.

as obtained hy The Washington

Post, indicate that Soviet and East-

ern European peoples will gain

more specific pledges of an ex-

has caught the family up in a na-

Robert T. Morris Jr., 23, is the

object of an inquiry by the FBI

He has been identified by friends

as the creator of an electronic virus,

developed for a nonmalicious ex-

periment, that ran out of control and swamped 6,000 terminals last

week along a nationwide Pentagon

computer network called Arpanet.

His father, now chief scientist at

He is also the man who intro-

and so he is torn by the furor sur-

and federal prosecutors in two

Genius Roots of a Costly Computer Misadventure

See RIGHTS, Page 2

But Mr. Jenninger's idea, as he Philipp Jenninger, left, leaving the Bundestag after his resignation accompanied by Theo Waigel, See RESIGN, Page 2 head of the Christian Social Union, the Bavarian wing of Mr. Jenninger's Christian Democrats.

State Department difficials said, that the arms talks could begin a Still in contention after interse

final declaration to be adopted by the Conference on Security and Cooperation in Europe had been cated at a news conference there worked out between East and the conference of the current accord and earlier similar accords on the protection of the current accord and earlier similar accords on the imman rights monitors of the current accord and earlier similar accords on the imman of the current accord and earlier similar accords on the protection of the current accord and earlier similar accords on the protection of the current accord and earlier similar accords on the protection of the current accord and earlier similar accords on the protection of the current accords and the protection of the current accords on the current ac

Friday that the Soviet Union might

refuse final approval of the Vienna declaration if the West does not

agree to a human rights conference

in Moscow that the Soviets have

U.S. officials have said they in-tend to hold the Soviets to an even

higher standard on human rights

before agreeing to a Moscow con-

ference. The proposed conference

is a contentious issue in the West,

with West Germany, France and

wit the best efforts of the security

specialists of America's largest cor-

porations and of the military," he

"I wish it were true. That would

Now an isolated realization of

bode well for the technological fu-

the very fears that Mr. Morris ad-

dressed has hit home in a very per-

sonal way, posing a threat to the future of his extraordinarily bril-

The younger Mr. Morris

TM, the name of his computer

But in telephone interviews this

Anne, talked at length about him

ly sophisticated that they can out- and the passion for computers that rounding the Arpanet incident.

said. "is utter nonsense.

ture of the country."

Fiant son.

proposed for 1991.

Human Rights Accord Nears Adoption

that nearly all the elements of the month or two thereafter.

Europe. U.S. officials expressed most neutral countries favoring it hope that the Vienna talks could be and the United States and Britain

Seal Off **Districts**

Violence Feared As Palestinians Prepare to Meet

By Glenn Frankel

Washington Post Service
JERUSALEM — The army ordered Friday that the 650,000 Palestinian residents of the occupied Gaza Strip be confined to their houses, and it sealed off the West Bank and deployed hundreds of soldiers in Arab East Jerusalem to forestall protests and violence coinciding with the expected proclama-

tion of a Palestinian state. Journalists without army escorts were banned from Gaza and the West Bank and soldiers at checkpoints prevented West Bank residents from entering Jerusalem and Arabs of Jerusalem from entering the occupied areas in some of the most sweeping security restrictions imposed during the 11-month Pal-

estinian uprising.

Dozens of Palestinians were rounded up from their homes during the night and hundreds of additional troops appeared oo the streets of major cities and towns in the West Bank and Gaza.

West Bank residents were forbidden to drive outside of their local areas and most telephone lines were cut off. The measures are in effect "until further ootice," an army spokesman said.

The army says the steps are designed to pre-empt any outbreak of violence to mark the expected declaration of Palestinian indepen-dence on Tuesday. The announcement is expected at the close of a special meeting of the Palestine National Council in Algiers that begins Saturday.

Israeli security officials fear that the council's proclamation may invigorate the uprising, which has been continuing at a low but steady

level for weeks. Local Palestinians see the declaration as a way of transforming their struggle into a diplomatic ini-tiative to gain world recognition. A 3-year-old Gaza boy was shot

and killed by a soldier Wednesday, and residents of the West Bank city of Nablus have complained that soldiers have been raiding houses nightly, beating up occupants and smashing furniture and windows.

A spokesman said the army would check the allegations, and the Israeli radio reported Friday night that soldiers had been issued new orders to prevent "unnecessary clashes and unwarranted be-

Cold weather and a hard, driving ing issues, the texts of the extensive rain kept most Palestinians off the streets Friday. An army spokesman reported only minor incidents of stone throwing in the West Bank. In Gaza, troops shot and wounded three protesters with plastic bullets, according to Arab hospital offi-



Remy de la Main

PLO UNDER GUARD — A gendame guarding the roof of a conference center in Algiers, where the Palestine Liberation Organization is to open a four-day meeting on Saturday at which it is reported to be ready to declare an independent nation. Page 2.

U.S. Shells Just Miss Japan Patrol Boat

By David E. Sanger

TOKYO - In the latest in a series of tense incidents between Japan and U.S. military forces based here, a U.S. Navy destroyer far from its target practice area fired shells that narrowly missed a Japanese patrol boat, government officials said Friday.

Japan filed a strong protest, as-serting that the ship's crew had been reckless and had violated international law by firing the shells, which apparently did not contain live explosives, inside Japanese territorial waters. No one was hurt in

grams, he said, "is not a career

On the other hand, he has heard

what other experts say of the Ar-

See HACKER, Page 6

creators of viruses and other com- government intelligence burean

puter pranks as irresponsible, com-paring them in his 1983 testimony for decades, and nightly mention of

to teen-agers who are "stealing a his son on television news pro-car for the purpose of joyriding." his son on television news pro-

Mr. Morris said he believed the plus."

Arpanet incident "raises mostly a

common sense question" about the

responsible use of computers. He

would not discuss his son's role in

the affair, but he is aware that it

Mr. Morris is a senior official of

may damage his own future.

fleet, Admiral Huntington Hardisty, and the U.S. ambassador, Minister Noboru Takeshita on Friday to apologize.

with stray bullets from an American firing range.

The Japanese are highly sensitive to any public reminders of the extent of military forces based in their country. The U.S. Navy is frequently the subject of protests because of widespread suspicions that its ships regularly bring nuclear weapons into Japan, something that the Japanese government forbids. That, combined with pressure from the United States that Tokyo pay a bigger share of military expenses in the Pacific, means that

such incidents take on political sig-

panet virus: that it was a program-U.S. officials have not explained ming triumph "fit for publication why the 3,300-ton guided-missile in a journal," that it caused no See JAPAN, Page 3

the incident, which occurred

continue to slide," he a The commander of the Pacific Security Pacific National Bank of New York, noted concerns about monetary coordination among the Mike Mansfield, visited Prime leading industrialized countries.

flict and don't place much credence Japanese officials made efforts in them," she said. to play down the incident, which was closed for Veterans Day, was came within weeks of two other accidents that beightened tensions with U.S. troops based in Japan. not detected intervening through One involved the crash of a military aircraft that killed four marines; in another, residents of Okinawa said sive with remarks aimed at stemthat their bouses had been sprayed ming the dollar's slide. Commerce Secretary C. William Verity Jr. said

rent value was fair. In London, a U.S. Treasury undersecretary, George Gould, said the administration had no interest in seeing a weaker dollar. The remarks appeared aimed at undoing the damage to the dollar caused on Wednesday when Marnin S. Feldstein, an adviser to Mr.

Bush, said the currency needed to fall at least 20 percent in the next three years if the United States was to balance its trade account. Traders said that one of two things is needed soon if the Bush administration aims to stabilize the

dollar: either a statement of that intention, or significant interven-See DOLLAR, Page 13

puter Security Center, is the man responsible for shielding Arpanet and other, more sensitive computer on computer security who at the time worked for Bell Laboratories, log-on, to some friends - has declined on the advice of his lawyer to was a witness before a House comdiscuss the virus incident or other networks from such electronic inmittee studying a new and ominous nhenomenon called the computer

Shaking Off the Shadow of Rome

Milan, Its Eye on '92, Says Things Will Be Different

New York Times Service

MILAN - It did not sit well when word arrived the other week that Milan was the world's most polluted city.

Nobody was prepared to argue that the sulphurous Milanese air is Alpine fresh. Far from it. But people could not accept, not even from the World Health Organization, that this is as bad as it gets, with levels of sulphur dioxide supposedly four times worse than in New Delhi and twice as bad as

in Beijing, where they spend the winter wearing Then came new press reports: the statistics were old, going back as far as 1980, and were no longer relevant. While Milanese breathed easier in the chill of a hunched-shoulder autumn, one could still hear harrumphs of irritation about the perceived

affront. Things calmed down soon enough, though.
"Milan is not a city of scandals," Mayor Paolo Pillitteri said. "It doesn't get outraged." In fact, Milan for the most part feels rather chipper about itself these days. Things are going so

well that in some circles there is even talk that before long this bastion of Italian commerce may be able to put greater distance between itself and its much-disliked, much-dreaded rival to the south.

week, his father and his mother, duced his gifted son to computers,

The reason is 1992. By the end of that year, the European Community, centered in Brussels, is scheduled to reorganize itself into a unified economic entity, free of tariffs and other self-protecting national barriers.

Efficient, pragmatic, prosperous Milan sees itself as Italy's economic point man, the only Italian city with enough business savvy, drive and size to compete toe to toe with the rest of Europe.

Some say -although others dismiss it as unrealistic — that Milan may then be able to shake off Rome as someone might a long-endured irritating

"This is a city that produces, but it is not in osition of command," said Alberto Falck, head of position of command, sand a pillar of Milanese industry. We're obliged now to look to Rome because that's

See MILAN, Page 6



IN ROYAL REVIEW - On the final day of their five-day visit to France, the Prince and Princess of Wales joined President François Mitterrand on the reviewing stand Friday at the Armistice Day parade down the Avenue des Champs-Elysées in Paris.

Israelis Press Their Politicians to Exclude Religious Parties

By Joel Brinkley

New York Times Service JERUSALEM -- A growing number of Israelis are calling for another "national unity" government of the Likud bloc and Labor Party that would exclude the religious parties

With petition drives, letter-writing campaigns, newspaper advertisements, and telegrams, thousands of Israelis are asking President Chaim Herzog to "stop the disaster of the establishment of a government with the religious," as an elderly woman from Haifa put it in a letter to the president this week.

"We, voters of the right, left, and center in the '88 elections, demand the leadership of our parties to immediately halt the negotiations with the religious parties to establish a narrow government," an advertise-ment in the daily Yedioth Aharonoth said on Tuesday. It was signed by 50 academics from universities across the country.

And a Tel Aviv woman standing in a city park on Wednesday gathered 721 signa-tures in three hours for a petition asking the president to "convene an emergency government of Labor and Likud" to prevent the formation of a government with the religious parties "that was not what the voters wanted.

Before the elections on Nov. 1, many

tions would end in a stalemate, as they did to persuade the religious parties to join in 1984, leaving no option but to form their coalition, a senior government official another Labor-Likud coalition like the one said.

All week long, the three rigorously Orthographics and their coalition, a senior government official thodox parties — Shas, Agudat Israel, and Torah Flag — have been saying they are that has tried to govern for the last four

seats in the 120-member Knesset, or parliament, while Liked and parties of the right won 47, in both cases short of the 61-seat majority needed to form a cabinet.

As an example, Moshe Peretz, spokesrears.

man for the Shas party and the brother of a result, both parties are promising them the party leader, Rabbi Yitzhak Peretz, and more and more.

Labor and parties of the left won 49

are sult, both parties are promising them more and more.

A fourth grouping, the National Relicabinet positions, and "they said Rabbi Israelis who are not very religiously ob-

Perez could be deputy prime minister." servant, the vast majority of the popula-The four religious parties won 18 seats, holding the balance of power.

Now, both Labor and Likud "are offering everything, selling their grandmother."

tion, are growing more and more outraged as the press reports the new promises that are being made to the religious parties every day. as the press reports the new promises that

JERUSALEM - Prime Minister Yitzhak Shamir has promised the leaders of Israel's four religious parties that he will ensure passage of an amendment chang-ing the definition of who is a Jew.

The religious parties had demanded a change in the law as a condition for joining Mr. Shamir's Likud bloc in a new coalition government. American Jews oppose the proposal because it would change the definition of who is Jewish under Israel's Law of Return to exclude

Shamir Pledges to Redefine Who Is a Jew people converted to Judaism through Reform and Conservative congregations. More than 90 percent of America's 5.8

> The prime minister told the parties he thinks we have a majority in the Knesset to pass the amendment, and within three months of forming the new governmen they would be able to have it," Yosi Achimeier, the prime minister's cabinet secretary, said Friday. "He said to all of them be promised it would pass."

All week long, the three rigorously Or- tary service while every other young person wavering between Labor and Likud, and as

A fourth grouping the National Reli-gious Party, has already declared its preference for Likud.

Mr. Herzog set Saturday night as the deadline for the parties to make up their minds if they would support Labor or Li-

A full-page advertisement Thursday in the newspaper Magriy by the Public Committee for a Constitution in Israel said: The national unity government was bad. The proposed alternative is a disaster."

But Rabbi Peretz says that the people who are complaining "don't have any right to settle in Israel if they are willing to throw away the religious heritage passed on from our ancestors." "Israel was given to the Jewish people for one overwhelming reason," he added. "That is, to live life as described in the

A common theme among the public complaints is that 20,000 children of the religious who are enrolled in yeshivas, or religious schools, are exempted from milidetermine with a sweep of their hand the fate of hundreds of thousands of Israelis, without their carrying the burden of re-sponsibility for their decisions," read a petition drafted by a group of nonpartisan Jerusalem youths. The president's office calculates that 64

And yet these "non-Zionist" parties,

which barely recognize the government of Israel as a legitimate body, will be able to

in the nation must serve.

percent of the letters it has received are alling for a new national unity govern-

ment to exclude the religious parties.

Another 10 percent complain about inchision of the religious or "non-Zionist" parties without offering a solution. And another 17 percent advocate re-

forming the electoral system to prevent situations like this from occurring The rest protest the inclusion of far-right nonreligious parties in the new govern-

"It is inconceivable that a minority of 15 percent of the population will control 85 percent of us," one letter said, complaining among other things that members of reli-gious parties would call for an end to Israel's daylight saving time in the summer because the late daylight hours conflict with accustomed Sabbath hours — sonset Friday night to sunset Saturday night.

WORLD BRIEFS

Kabul Fires Missiles at Guerrillas

ISLAMABAD, Pakistan (WP) — At least 15 more Soviet Scud missiles were fired at anti-government guerrillas this week in a continuation of the stepped-up military activities in the Afghan conflict, according to Westem diplomats in Islamabad.

According to reports from the Afghan capital, Kabul, at least six of the missiles were seen heading toward the provinces on Monday, six on Tuesday and three on Wednesday. Most of the missiles reportedly landed in Nangarhar Province, close to the Pakistan border.

There were unconfirmed reports that some of the missiles struck Panjshir Valley, north of Kabul, and in the western section of Kabul Province. The guerrillas reportedly have been carrying out new offensives in Panjahir Valley aimed at transportation routes between Kabul and the Soviet border.

Warsaw Police Clash With Protesters

WARSAW (AP) — Riot policemen charged at protesters Friday night after a rally in Warsaw to mark the 70th anniversary of the rebirth of the

Polish state, and clashes were reported in three other cities.

The police drove into a crowd, fired tear-gas canisters and then charge 500 to 1,000 young people near the Tomb of the Unknown Soldier after some protesters threw sticks at officers. The crowd scattered into a

nearby park, and at least 10 persons were seen being detained.

Earlier, about 20,000 Poles chanting "Solidarity" and "independence" peacefully demonstrated in the streets of Warsaw after a Mass marking the anniversary of the Nov. 11, 1918, rebirth of the Polish state. Clashes with the police were also reported in Poznan, Gdansk and Krakow.

Police Raid Prague Rights Meeting PRAGUE (Renters) — Czechoslovak policemen raided a symposium

attended by prominent Western academics, writers and human rights activists and seized its chairman, the playwight Vaclav Havel, on Friday.

Mr. Havel, a founding member of the Charter 77 movement, which mounters compliance with the 1975 Helsinki Accords on human rights, mounted the relief by the compliance of the Charter 77 movement, which mounters compliance with the 1975 Helsinki Accords on human rights, evaded the police before the Czechoslovakia 88 meeting and had just declared it open when he was seized. Karel Srp, a leader of the banned Jazz Section cultural organization, slipped from the hotel room where they were meeting along with another Charter 77 activist, Martin Palous, when the police arrived.

Nationalists Rout Labor in Scotland

GLASGOW (Reuters) — The opposition Labor Party suffered a stinging defeat by Scottish nationalists Thursday in a parliamentary by-election in Glasgow.

Political analysts said the result was the biggest setback in years for

Labor, which is struggling to rebuild itself after three consecutive general election losses to the Conservatives of Prime Minister Margaret Thatcher.

The Scottish National Party candidate, Jim Sillars, took one of Labor's sefest seats with 14,700 votes in Glasgow's Govan constituency. Robert Gillespie of Labor received 11,100 votes. The Conservatives, who hold only 10 of Scotland's 72 seats, had 2,207 votes.

No Firm Progress in Iran-Iraq Talks

GENEVA (AP) - Peace talks between Iran and Iraq recessed Friday after seven sessions produced no tangible process toward consolidating the cease-fire reached 12 weeks ago in the Gulf War.

Both sides agreed to resume the negotiations "in the near future." possibly next month or in Jamusry, Jan Einsson, the United Nations mediator, announced after the final, 50-minute meeting.

The Iramian foreign minister, Ali Akbar Velayati, said that the meetings featured a "better cimate," and that he hoped the next round would be a "constituted a property. "His constitute Tourisms of the property of the next round would be a property to the next round would be not round would be a property to the next round would be not round would be no

achieve "practical progress." His counterpart, Tariq Aziz, said Iraq would "do its best to make the next round fruitful."

Reagan Signs Tax Refinement Bill

WASHINGTON (AP) - President Ronald Reagan signed legislation Friday making several refinements in the landmark tax overhaul of 1986 and providing a "bill of rights" for U.S. taxpayers.

Although White House officials had said they had trouble with the

legislation, particularly in connection with a \$50 million federal seizure of property next to Civil War battlefields in Virginia, the announcement of Mr. Reagan's approval carried no statement of presidential misgivings.

The "Tax Corrections Act" was originally was designed to clear up confusing language and correct errors in the tax overhand enacted in 1986. But the new legislation was repeatedly amended to extend some exparing benefits, add some new ones for selected groups and raise taxes to finance

TRAVEL UPDATE

the benefits. The measure will have no effect on the federal deficit.

A power failure at London's Heathrow Airport delayed flights for up to two hours Friday, the Civil Aviation Authority said. The electricity breakdown cut off the air traffic control switching system, which distributes flight plans, the authority said. Delays also were reported at Manchester Airport in northern England and Prestwick Airport in

A strike by Northwest Aidines pilots was averted when the National Mediation Board intervened Friday in stalled discussions on a contract. A Northwest spokesman said the threat of the strike, which was to start on midnight Friday, did not appear to affect ticketing for flights over the

Foreigners in New Delhi have been ordered by the Indian government to carry identification, pessports or other travel documents at all times during the three-day visit by the Soviet president, Mikhail S. Gorbachev, beginning Friday, and until Nov. 21, the day after he leaves The order

says identification documents must be produced immediately when asked

for by police or security officials. Soriet authorities have concluded agreements with Britain, Denmark and other nations requiring their nationals to prove they are not carrying the AIDS virus to gain entry to the Soviet Union, a Pravda report said Friday. The Communist Party daily's interview with Alexander I. Kon-drusev, deputy Soviet minister of health, did not say if the agreement was already being enforced, or when it would go into effect. (AP) LONDON - Distress signals sent by ships in the familiar dots and dashes of Morse code are to become a thing of the past, the

International Maritime Organization said Friday.

Beginning in 1993, Morse code will be replaced by the Global Maritime Distress and Safety System, which sends a distress signal at the touch of a button.

the organization said. "However, we are now bringing in something which will be much better and which will save even more lives." The system, which will be compulsory worldwide after 1999, sends a signal via satellite to display the ship's position, name and time of the incident on a coast guard computer terminal.

implants. The Public Citizen 3,100 recipients in Los Angeles able insolence." Government offi-Health Research Group, a private County, said Gary Brody, of the cials said they did not expect any health advocacy organization, University of Southern California. official Turkish reaction.

(Continued from Page 1)

said at the opening and conclusion of his statement, was to demonstrate how Germans had been "blinded and seduced" by the Nazis, to remind Germans of the com-

cial Democrats, Greens and Free tary. Democrats - stalked out of the Bundestag chamber in fury, touching off a storm that raged late into the night and calmed only when Mr. Jenninger resigned Friday

The main reason for the walkout was evidently that in reading his text, Mr. Jenninger failed to make clear the distinction between his own sentiments and those of Germans whose enthusiasm for Hitler be was trying to show,

In a passage that particularly shocked listeners, Mr. Jenninger tried to dramatize the anti-Semitism on which Hitler drew by mim-

icking what Germans of the time milestone of candor and humility, were saying: "And as for the Jews,

As he read, however, about 50 ninger for quoting long passages of members of the parliament — So., Nazi texts without any commen-"When you read the whole text,

it's really a decent enough speech," said David Schoenbaum, professor of German history at the University of Iowa who is doing research in West Germany. But it sounded to them like he identified with the things he quoted. They couldn't hear the quotation marks."

Friends of the S6-year-old speaker said be was crushed by the reac-tion. He had organized the memorial session in parliament so that he would be the only speaker, and he evidently hoped and expected that experience under the Nazi regime his statement would be halled as a of my family, which opposed the

somewhat like President Richard von Weizsäcker's celebrated "May 8 speech" three years ago in which he declared that while guilt was not hereditary, all Germans carried the mark of the Third Reich.

known as a moderate politician who worked actively for better relations with Israel and Iews elsewhere, and who had often visited

Throughout my political life, most recently as the speaker of the German parliament, I have done everything I could for reconciliation with the Jews and to promote the vital interests of the state of Israel." Mr. Jenninger wrote in his

"I was uncompromisingly op-posed to any form of totalitarian-ism, not the least because of the experience under the Nazi regime

dictatorship and paid for it." Mr. parliament." He said he welcomed Jenninger's aides could not imme- the fact that the speaker clearly diately give details of what had happened to his family.

can no longer give me the necessary support of trust to carry on the duties of my office," he wrote. Initial public reaction seemed

overwhelmingly to agree that Mr. Jenninger was obliged to resign, although specific assessments of his

Frankfurter Allgemeine, the report on the ruckus in parliament was carried under the headline, "Well meant but mept."

acknowledged that "everything Hitler did was supported by the whole German people."

garner some sympathy from foreigners, many of whom saw the reaction to the speech as a reflection of scute sensitivity among Germans, especially in govern-ment, to how their attitudes toward their history are perceived at home and abroad

curity," Mr. Schoenbaum said. They're the only German succesits past, but they're always looking over their shoulder."

One of the few voices of support for Mr. Jenninger within West Ger-Jenninger had to go "because the Germans, he said, felt that Mr.

مكذامن الأصل

Moscow Promises More To Defiant Republics

By Bill Keller New York Times Service MOSCOW — Facing unexpect-edly strong resistance to their plan for redesigning the Soviet govern-ment, Communist Party leaders have promised additional measures to widen the economic and political independence of local govern-

The Polithuro said Thursday that the constitutional changes and new electoral laws, scheduled for final approval on Nov. 29, were only "the first stage of the reform," and that additional laws were being drafted to give the 15 Soviet repub-

lics greater autonomy. The statement, reported by the news agency Tass, was clearly intended to head off growing opposi-tion in the three Baltic republics, Estonia, Latvia, and Lithnania, where official and unofficial politieal figures have complained that the proposed changes give Moscow

unacceptable veto powers over the republic and local authorities. But residents of the Baltic repub-lies have said they will not set aside

their complaints in exchange for promises of future reforms. [Polithuro members flew Friday to the Baltic republics, where one issued "a grim warning" against pressing autonomy demands too far, local journalists told The Associated Press. The dispatching of three top officials to the region ap-peared to indicate that the Kremlin leadership wanted to draw the line now on what sort of political changes could be contemplated.]
The constitutional debate pre-

sents an awkward problem for President Mikhail S. Gorbachev. The constitutional changes he

has presented as an important step

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Mr. Gorbachev's most enthusiastic they have already gathered tens of thousands of signatures on peti-tions opposing the proposed con-stitutional revisions.

month, would empower the Su-preme Soviet, the national legislature, to set all economic and social policies for the country, to overrule the actions of local governments and to impose special forms of ad-ministration in areas of conflict.

The Baltic critics, including party officials, say the proposal may stifle campaigns in the Baltic region to develop independent economies, using Western-style markets and direct commercial ties with

Leaders of popular fronts in Es-tonia and Latvia and a similar Lithuanian group known as Sajudis met Tuesday to coordinate their strate-Arunas Zedriunas, a film maker

Soviet meeting until new members had been elected to that body. The constitutional proposals would create a new Congress of People's Deputies consisting of 1.500 members elected in competi-

League

ture, and a president to lead it.

proposals would severely restrict human rights. the role of independent groups, like

accessary to break the hold of old party and government bureaucracies that be contends have ham-

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pered economic revival.

The provisions, published last

Western countries.

gies for opposing the plan. and a leader of the Lithuanian movement, said in a telephone in-

tive elections at the local level and 750 chosen by officially approved

unions and the Communist Youth

fire from Soviet intellectuals, inconcentrate too much power in the

toward greater democracy are being criticized as undemocratic by

Critics in the Baltic republics say

terview Thursday that the group was demanding that the constitu-tional changes be pulled off the agenda of the Nov. 29 Supreme

The congress would in turn select more powerful national legisla-

The proposals have come under cluding Andrei D. Sakharov, the physicist and human rights advocate, on grounds that they would post of president, who would also be the Communist Party leader. Another complaint is that the

popular fronts, in nominating can-didates for public office. Mr. Gorbachev is easer to put the plan into effect and hold elections next year under the new rules. He contends that quick action is Conservative.

By Youssef M. Ibrahim

New York Times Service

Palestinian meeting, various factions ap-peared ready to declare an independent Pal-estinian nation, several Palestinian leaders

ALGIERS - On the eve of an important

Such a declaration is expected to be con-

sidered at a four-day meeting of the Palestine

National Council, the policy-making body of the Palestine Liberation Organization, that is to open in Algiers on Saturday.

The Palestinians will live a turning point

of their history in Algiers, where for the first

time the flag of the independent Palestinian state will be hoisted," said Bassam Abu Sha-rif, a senior adviser to the PLO chairman,

A declaration of independence would have

no immediate effect on the areas that contin-

ue to be occupied by Israel.

The move seems to be intended mostly to

lift the morale of Palestinians engaged in an increasing against Israeli occupation in the West Bank and the Gaza Sirip, many Pales-

Palestinian officials say the declaration

will be coupled with a "political program" that will appeal for an international confer-

ence to settle the Israeli-Palestinian problem and hint at the Palestinians' willingness to

accept a "two-state solution" whereby they

But Palestinian officials arriving in Algiers

would live in peace next to Israel.

Yasser Arafat.

tinians said.

million Jews are believed to be Reform or

PLO on Verge of Declaring Independent State on Thursday night for the council meeting cautioned that if a hard-line government led by the Likud bloc emerges from the recent election in Israel, the scope of conciliatory gestures possible at this meeting would be limited, and the position of militant Palestin-

ian factions opposed to any peaceful signal toward Israelis would be strengthened. Instead, there seems to be a determination that the council session will reflect maximum Palestiman unity and avoid divisive debates. Palestinian leaders from various PLO factions, along with some 500 members of the Palestine National Council, seem eager to

steer away from any potentially explosive Those questions include a definition of boundaries for the proposed Palestinian nation, explicit recognition of Israel and an immediate decision to form a provisional

mand, Saleh Khalef, known as Abo Iyad, said Thursday night that the accent at the council meeting would be on unity. He suggested that the only common de-nominator that assembles all Palestinians now was the impending declaration of inde-

press service, Mr. Arafat's second-in-com-

In an interview with the official Algerian

Palestinian officials said the formation of a provisional government — another proposi-tion that is to be discussed — is likely to be

left to the discretion of the PLO leadership, as

represented by its 15-member executive council, "when the time is tipe," a Palestinian official said.

Navef Hawatmeh, leader of the Democratic Front for the Liberation of Palestine, another PLO faction, said that the Palestine National Council might define the "political and organizational principles" of a provision-al government in this 19th special session of the council but that its functions would be exercised initially by the PLO. Palestinian officials said a move now to

form a provisional government could be divi-

They said it would also require a huge effort to obtain recognition from world gov-eraments, something that is not necessary at Some Palestinian analysts also suggested that the emergence in Israel of a Likud-led

government, opposed to any territorial con-cessions or talks with Palestinians, would make the idea of a provisional government These Palestinian officials said more than 55 governments recognized the PLO and gave its representatives the status of ambassadors. They said there was no reason to start an

uphill battle to get recognition for a new provisional government. Among the other options to be discussed by the council is a call for the United Nations to place Israeli-occupied territories under its protection in a transitional period that might lead to an independent Palestinian nation.

New York Times Service

been given official permission to

The move fulfills a government promise to Andrei D. Sakharov, the

physicist and haman-rights cam-

paigner, shortly before be began a

visit to the United States last week.

tend the opening meeting of a new Soviet-American commission on

civil and political rights in Wath-

ington on Sunday.

The group includes Boxis Chernobylsky, who was recently given official notice that his long-denied

visa for emigration would soon be

visa for emigration would soon be granted, and Sergei A. Kovalev, a speaker at President Ronald Rea-gan's meeting with Soviet dissi-dents during the Moscow summit

The other five are Nina Be-layeva, Vladimir Golitsyn, Bella Gulko, Alexander Lavut and Boris

meeting last spring.

The seven are scheduled to at-

travel to the United States.

MOSCOW - Seven Soviet citi-

RIGHTS: Major East-West Accord Nears Completion 7 Rights Activists

(Continued from page 1) panded list of basic human free-

Among other things, the draft copy of the Vicana declaration commits the 35 nations to: Respect the right of religion communities to establish and maintain freely accessible places of worship, to give and receive reli-

gious education in the language of their choice; and to produce, import and disseminate religious publications and materials. to arbitrary arrest, detention or exile: that torture and other inhuman and degrading punishment are pro-hibited; and that individuals are

protected from any psychiatric or other medical practices that violate Make a decision within three working days on foreign travel applications to visit seriously ill or dying family members or to attend a family funeral: to review within six months and at regular intervals thereafter the rejection of any application for travel abroad, and to take steps to resolve pending emi-gration cases within aix months of

the Vienna closing statement.

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Despite the strides in Vienna, the For Travel to U.S. regulations bearing on domestic and foreign travel; and to promptly Reagan administration has come notify in writing those people under pressure from members of Congress and U.S. human rights MOSCOW - Seven Soviet citi-organizations not to conclude the zens long active in various camwhose application for foreign travel or emigration has been denied, talks before the Soviet Union, paigns for human rights, including among other things, releases all postating the reasons for the denial. tional minorities or religious litical prisoners and permits further

groups to travel abroad to meet emigration of Soviet Jews.

Party Widens Segregation In 90 South African Towns

these councils are in rural and mining areas of the Transvaal. JOHANNESBURG - The extreme-right Conservative Party in Local newspapers reported that South Africa said Friday that it was the government, which has sought restoring hard-line apartheid poli-cies in 90 communities under its control. It said it would bar blacks to abolish so-called petty apartheid during the past decade, was under pressure from some supporters and

The party general secretary, Andries Beyers, said, "Wherever we can, the party is segregating public amenities that have been desegre-

from parks, swimming pools and

municipal offices.

gated by the Nats," or the ruling National Party. The Conservatives won control urged the South African governof the 90 governing councils in ment to "oppose these misgnided local elections last month. Most of efforts to turn back the clock."

Cancer Doubted in Breast Devices

breast implants shows no evidence to support newly expressed con-cerns about a cancer risk, plastic surgeons say.

An estimated two million American women have received silicone

called this week for a ban on alli-NEW YORK — A long-term cone implants, which they said may study of women with silicone give a risk of cancer and other health problems

moderate politicians to stop the

Conservatives. There has been de-

bate over how far the law allows the

Conservatives to reimpose strict

The Conservative Party's plans have been denounced by the U.S.

State Department. On Thursday, it

emerged from a study of about

The Food and Drug Administration has scheduled a review of the devices. But no significantly higher rates for any kind of cancer have

Iran Angers Turkey By Slighting Ataturk

"Yesterday, all flags on Turkish ception," the daily Ganaydin said in an editorial. "This is unforgiv-able insolence." Government offi-

ANKARA - Turkish politi cians and analysts accused the Iracians and snarysts accessed the ins-nian Embassy in Ankara of inso-lence on Friday for not flying its flag at half-staff to commemorate the death 50 years ago Thursday of Mustafa Kemal Ataturk, who

founded modern Turkey in 1923.

soil were at half-mast with one ex-

Help! It's the End of SOS

"Morse has great romantic commotations, with the gallant radio operator sending off distress calls as the ship sinks," a spokesman for

RESIGN: West German Parliament Speaker Quits After Furor Over Speech on Nazi Era

plicity and enthusiasm of the population in the rise of Hitler.

morning.

hadn't they in the past, after all, sought a position that was not their place? Mustn't they now accept a bit of curbing? Hadn't they, in fact, earned being put in their place?" Critics also assailed Mr. Jen-

Among his colleagues and diplo-mats in Bonn, Mr. Jenninger was

letter of resignation.

Mr. Jenninger said he was stepping down to safeguard the integrity of the office of speaker. "I must assume that many of my colleagues

In the conservative newspaper

Mr. Jenninger also seemed to

"The reaction among the Germant testifies to their national insesor-state that has tried to face up to

many came from the vice president eyes of the nation and the world of the Central Council of Jews in were on him and it was his family of the Central Council of Jews in Germany, Michael Fürst, who said he "could not understand the excitement of many members of the the quotation manks."

ights Meeting policemen raided a symposic ness, writers and human rich wright Vaclay Havel, on Fisher Charter 77 movement, who inki Accords on human rich rakia 88 meeting and had a rel Srp, a leader of the base ed from the hotel room the arter 77 activist, Martin Pilos

or in Scotland sition Labor Party suffering hursday in a parliamenary

he biggest setback in year if after three consecutive and me Minister Margaret Thank Jim Sillars, took one of Libr s's Govern constituency. Ret i. The Conservatives, who ke

Iran-Iraq Talk n Iran and Iraq recessed he be process toward consoling ie Gulf War. otiations "in the near has t Eliasson, the United No minute meeting.

er Velayati, said that the me he hoped the next round on terpart, Tariq Aziz said le ad fruitful."

finement Bill onald Reagan signed legislate : landmark tax overhaul of 18

said they had trouble with h a \$50 million federal seized a Virginia, the announcement nent of presidential missione mally was designed to dark the tax overhaul enacted is nended to extend someoning groups and raise taxes to fine.

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was averted when the Nac talled discussions on a com of the strike, which was no fect ticketing for flights on

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ecments with Britain, Don als to prove they are not call riet Union, a Pravda report Herview with Alexander L did not say if the agreement d go into effect

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risament. He said he wind in fact that the speaks of the speaks of the risk in the supported it is supported in the German people. pendence in his choice of appoin-Mr. Jenninger also sens mer some sympathy hour mers, many of whom settion to the speech state

said, "Any new president wants to signal a clean sweep,"

"The Bush transition office is ex-

include sex, race, state, professional skills and sponsors.

"Even in naming his cabinet he

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the Dorsey, Halfon, Cohen, Brami and
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acvice will be held and traditional prayers
said at the Syuagogue, 28, rue Buffanit,
Paris 9, Samrday, November 12 at
16 h 30. Germans. he said person in the nation and it the audience didn't at the audience didn't at

Bush Is Said to Seek st 15 more Soviet Scud nivel is week in a continuation of the conflict, according to Week. To Replace Webster

The Associated Press "out his own stamp on things," is sition effort was going "great." looking for a new face to replace William H. Webster as the director of central intelligence, a source on the Bush transition team said Fri-

Mr. Bush, who served as CIA director in 1976, is expected to take a keen interest in filling that job. His desire to look at other people does not necessarily mean he is dissatisfied with Mr. Webster's performance, the transition source said. But, he said, "the vice president wants to put his own stamp on

things."
Associates of Mr. Webster have said privately that the CIA director is eager to stay in the post he took over in May 1987. Earlier in the Bush campaign, Mr. Webster was told he could keep his job, but since then all he has read in published reports are the names of possible successors, the associates said.

One possible candidate to re-place him is James Lilley, the ambassador to South Korea, whom Mr. Bush has known since Mr. Lilley was the chief of the CIA station in Beijing while Mr. Bush was U.S.

envoy there in the 1970s. Former Senator John Tower of Texas still is the front-runner for secretary of defense, while Brent Scowcroft, the national security adviser to President Gerald R. Ford. could assume the same job in the Bush presidency, said the source, who demanded anonymity.

Speculation about high-ranking personnel in the new administration continued as Mr. Bush and his wife, Barbara, spent the first full day of a four-day vacation in Gulf

Stream, Florida, at the home of WASHINGTON - President- William S. Ferrish 3d, a Houston elect George Bush, determined to millionaire, Mr. Bush said the tran-

So far, Mr. Bush has chosen one cabinet member - James A. Baker 3d, the former Treasury secretary. to be secretary of state.

■ Resignations Sought

Mr. Reagan has requested that all members of his cabinet and all top political appointees resign, in e move designed to allow Mr. Bush more flexibility to decide which officials to retain. The New York Times reported from Washington

White House officials said Mr. Reagan's request Thursday was natural under the circumstances, which are somewhat rare. The last time an incumbent turned the presidency over to a newly elected member of his own party was in 1929, when Herbert Hoover succeeded Calvin Coolidge.

The Reagan order affects about 525 officials.

Two Bush associates said three potent competitors for White House chief of staff were: Robert M. Teeter, Mr. Bush's pollster; Craig L. Fuller, his current chief of staff; and Governor John H. Sun-unu of New Hampshire, whose help was critical in Mr. Bush's victory in that state's Republican pri-

Several other names have emerged for high positions. They include Paul H. O'Neill, chairman and chief executive officer of Aluminum Company of America (Alcoa), who served on Mr. Reagan's commission on productivity, and former Representative Jack Ed-wards of Alabama.

doesn't have a free hand," said Stu-

art E. Eizenstat, who was President Jimmy Carter's chief domestic ad-

viser, adding that Mr. Bush would be "subjected to cross pressures ---

The Loyal Bush Troops **Line Up for Plum Jobs**

By Martin Tolchin New York Times Service

WASHINGTON — President-elect George Bush and his transition team have begun to focus on the selection of 4,000 to 5,000 fulltime political appointees who will shape the policies of his adminis-

Mr. Bosh sees the jobs as the fruits of victory, and so do Republican Party officials, campaign sup-porters, tinancial contributors, in-

terest groups and Republican more loyal to the cabinet members members of Congress.

Many are already staking-their said. claims, pressing the president-elect. The full-time presidential ap-and his sides to remember past, pointees include about 700 that re-

favors and pledging their loyalty.

Mr. Bush will share the reins of quire Senate confirmation; 200 others, many of whom are on the government with appointees rang-ing from 14 cabinet secretaries, White House staff and advisory boards, who do not require confireach of whom will earn \$99,500 a mation; 700 in the senior executive year, and their deputies, assistants service, and about 1,800 positions and (op aides (\$75,500 to \$89,500), exempted from competitive ap-134 amhassadors (mostly pointment procedures because of \$75,500), the chairmen of regulatory commissions (\$82,500 to their policy-making roles or their confidential working relationships with top appointed officials. These \$89,500) and lawyers, physicians, confidential assistants and private include personal secretaries. secretaries, whose salaries are found throughout the federal pay

They are among about 8,000 posts, including honorific and part-time jobs, listed in the 1988 edition of the "plum book," which has just rolled off the government presses. The formal title of the book is "U.S. Government Policy and Sup-

porting Positions." Although these appointees make up only a fraction of the 2.1 million federal civilian employees and a similar number of military person-nel, they will help define the ad-

Mr. Bush's task is complicated by the hundreds of Reagan admin-istration appointees who would like to keep their jobs and are expected to seek the help of their mentors in the party and in Con-

At his news conference in Houston on Wednesday, the president-elect noted that he had said in the campaign that he would "for the most part bring in a brand new team of people from across the

While Mr. Bush is reluctant to alienate party stalwarts and congressional leaders and does not wish to create a cadre of disgrantled Republicans whom he has dismissed, political analysts expect

him to push for his own team. "George Bush has been in Ron-ald Reagan's shadow for eight years," said Stephen J. Wayne, professor of political science at George Washington University in Washington. "He needs to assert himself, and he's going to assert his inde-

Bradley H. Patterson Jr., who held White House jobs under Presidents Dwight D. Eisenhower, Richard Nixon and Gerald R. Ford,

pected to computerize thousands of resumes under categories that will

If history is a guide, Mr. Bush will not enjoy complete freedom in making his appointments.



President-elect Bush, flanked by security men, taking a picture Friday in Gulf Stream, Florida.

AMERICAN TOPICS

Filing for Chapter 11: 'Stepping off a Cliff'

Getting protection from creditors under Chapter 11 of the Federal Bankruptcy Code is "akin to stepping off a cliff," says W. Thomas Stephens, who is in a position to know. He is president and chief executive officer of Manville Corp., which in 1982 became the first company

to file under Chapter 11 after a 1978 revision of the law. Facing 12,000 claims seeking a total of \$33 billion in damages for asbestos victims, Manville, a Denver-based building materials and packing company, used Chapter 11 to reorganize. But "reorganize." The Washington Post reports, "may seem too benign a term for the corporate carnage that followed." About 9.000 of the 27.000 employees were dismissed and numerous divisions of the company were abandoned while new ventures were begun.

party pressures, congressional A Bankruptcy Court placed Manville under control of two Mr. Bush will also have to decide independent trusts and a group to what extent he will allow his cabinet members to name their top of banks that have supplied aides. Mr. Carter allowed his cabiworking capital. The trusts, which pay personal injury and net members to name most of these property damage claims, will re-ceive \$2.5 billion from Manville aides and found that they were

over the next 26 years. This effectively leaves the ordinary shareholders with about 2 percent ownership of the company.

This mooth, Manville will emerge from its bankrupt status. phens, a two-decade veteran of the company who be-came president shortly after the bankruptcy filing, says Manville is now "lean and mean," no long-er manufacturing asbestos, but fiberglass, packing and specialty products. The bankruptcy period, he says, "was like walking through mud."

Short Takes

A proposal to build a sculpture of a molar 18 feet (5.5 meters) high in Grand Rapids, Michigan, to honor the city that in 1945 became the first in the United States to fluoridate its drinking water, has hit a oerve with dentists there. "Fluoride is probably the single most significant healing effort in dentistry," said Charles Caldwell, president of the West Michigan Dental Society, "and an extracted tooth renresents just the opposite - feelings of pain or suffering or anxiety." The dental society has commissioned a fountain to be dedicated in 1995, the 50th anniversary of the fluoridation.

A rainy autumn helped ease dryness in the East, Midwest and West, but large areas still face long-term drought, including North Dakota, Idaho, Wyoming, most of Montana and parts of South Dakota, Minnesota, Illioois, Ohio, lowa, Oregon, California and, in the South, parts of North Carolina and Virginia. "Subsurface soil moisture is still very low in a lot of states," said Douglas LeComte, a meteorologist for the U.S. Department of Agriculture.

Ronald Reagan may be leaving the presidency, but the Gipper gallops on. George Gipp, the Notre Dame foothall immortal whom Mr. Reagan portrayed in the 1940 motion picture "Knute Rockne, All American," is to be the subject of a new film. The producer is the British film company Goldcrest, which also made "Gandhi" and "Chariots of Fire." A spokesman said the film, "Golden Glory," will touch oot only on Gipp the athlete hut Gipp the gambler and drinker. and on the woman who tried to make him mend his wicked ways. No cast has been oamed.

Members of the next House of Representatives, observes Robert Marino of the International Herald Tribune, will include a Pickle and a Pepper, a Fish, a Spratt and a Roe; a Frost and a Snowe; a Fields and a Brooks; a Rose and a Valentine; a Ford, a Packard and a Carr; a Wheat and a Pease: a Cooper, a Porter, a Miller, and a Baker, a Penny and a Price; a Wise and a Moody, a Carper and a Payne.

Arthur Higbee

Thousands of Workers Strike At Brazilian Oil Refineries

He said Petrobras had a 20-day supply of fuel. "If the strike lasts

this long, the country will face seri-

Durval Gomes, one of the direc-

fered 67.27 percent. He said refin-

ery workers oo average were paid

the equivalent of \$1,365 a month.

zil's democracy already has become

widespread. But political analysts

said the violence Wednesday at National Steel Co. in Volta Redon-

according to the Foreign Ministry

Robert Nevitt, said that the meet-

ings with Mr. Takeshita and Mr.

Uno had been previously sched-uled to introduce Admiral Har-

disty, who took command of the

Pacific forces Oct. 1. But the meet-

ings were overshadowed by the in-

cident, and much of the discussion

focused on improving procedures to avoid incidents with U.S. forces.

fleet had begun an investigation

into the incident, but that none of

the crew of the Towers had been

suspended. He said that U.S. offi-,

cials presumed that the firing was

accidental, but that they had oo

The incident was oot disclosed

until more than 30 hours after it

occurred. Several Japanese wire

services and television stations,

quoting unnamed officials in the

Japanese Transportation Ministry,

said that the Foreign Ministry had

attempted to hush up the incident

to avoid straining relations with the

But a Foreign Ministry spokes-

"It was our intention from the

beginning to announce it," the

spokesman said. "It took longer

than we expected, however, to de-

NEEPUR TO DATE WITH BUSINESS PEOPLE APPEARS & EACH WEDT & SDAY AND FRIDAY IN THE BIT

United States.

man denied the reports.

termine the details."

Mr. Nevitt said that the Pacific

A U.S. Emhassy spokesman,

Concern over the future of Bra-

ous problems," he said.

same." he said.

by-products.

SAO PAULO - Tens of thousands of oil refinery workers went on strike Friday and threatened to bring Brazil's 10 refineries to a standstill, worsening the crisis of confidence faced by the govern-ment of President José Sarney.

The strike was the latest event in labor unrest caused by economic and political problems under Mr. Samey. Three strikers were killed Wednesday in a confrontation between thousands of striking steelworkers and hundreds of policemen and soldiers.

The refinery strike followed many other stoppages this month that have left millions without electricity and public transportation, elosed universities and disrupted government ministries.

Glaucio Heemann, a spokesman for the state-owned oil monopoly Petrobras, said Friday that more than half the 60,000 oil refinery workers in Brazil had walked off

We expect that hy the end of

(Continued from Page 1)

destroyer, the Towers, fired the

According to the Japanese Mari-

time Safety Agency, the Towers opened fire about nine miles (15

kilometers) off the Boso Peninsula

in Chiba Prefecture, southeast of

Tokyo and Yokohama. The site of

the iocideot, Japanese officials

said, was more than 35 miles from

the designated zone where all test

The four to five shells fell within

1,000 feet (300 meters) of the stern

of the Uraga, a 300-foot-long heli-

copter carrier used by the Maritime

Safety Agency, a civilian group that

is roughly equivalent to the U.S.

"The weather was perfectly elear, and the Towers could see the

Uraga without binoculars," said

Kazuhiro Numata, a spokesman

for the agency. "The two ships were only seven kilometers apart."

oot told the agency why its ship had

opened fire so far from the testing

range, which is closed to ordinary

Admiral Hardisty and Mr.

Mansfield promised at their meet-

ing with Mr. Takeshita, and again

in a session with Sousuke Uno, the

foreign minister, that "such inci-

dents would never happen again,

the Japanese Foreign Ministry said

Vice President Bush, feel the same

way 1 do," Mr. Mansfield added,

"President Reagan as well as

He said that the navy still had

Coast Guard.

maritime traffic.

firing is supposed to take place.

JAPAN: U.S. Navy Fires Near Ship

spokesman.

the day the other half will do the Mr. Samey's government into its-

In that incident, striking steel-If this happens, Mr. Heemann said, the refineries will stop proworkers stormed Brazil's biggest duciog their daily output of 600,000 barrels of gasoline and ansteel mill and hurled rocks and bombs at policemen and soldiers. other 900,000 barrels of diesel oil. Two workers were shot to death . cooking gas and other petroleum and another was bludgeoned to

death, plant officials said. Brazil has been beset hy soaring . inflation that has eroded buying power and complicated private life. Mr. Sarney, a civilian leader whose government was preceded by 21 years of military rule, has been un-..

tors of the Rio de Janeiro Refinery able to check the inflation. Workers Union, said strikers were The deaths at Volta Redonda demanding a 154-percent pay in-crease and that Petrobras had ofwere the first reported in e clash. between the army and strikers during Mr. Sarney's three-and-a-half-

Since Mr. Sarney took office in April 1985, inflation has soared. lt was measured at 27.5 percent a month in October, up from 7.2 per-cent a month when Mr. Sarney took office, and is expected to exceed 800 percent for the year.

da, 80 miles (130 kilometers) north-The army attack oo the steel. plant found little favor even in the

conservative press. "It will not be the use of the army," said the O Estado de São Peulo newspaper in an editorial, "or the use of the cavalry against demonstrators that will resolve the Brazilian crisis, fundamentally a

crisis of authority." A leading commentator, Ricardo Noblat, wrote in Friday's Jornal do Brasil newspaper: "Yesterday was the worst day so far for the government of President Sarney.

(AP, Reuters)



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Animal Advocate Held in Bomb Case

The Associated Press

animal rights advocate was arrested Friday and charged with trying to use a radio-controlled pipe bomh to kill the head of a surgical equipment company that experi-

Other exempt jobs include 1,000 to 1,300 for which competitive examinations are considered unnecessary: lawyers, physicians, scientists, educators and other NORWALK, Connecticut - An bomb was "capable of killing any-

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ments on dogs.

The police said that Fran Stephanie Trutt, 33, of New Hyde Park, New York, was arrested while placing the pipe bomb at offices of the U.S. Surgical Corp. She was charged with attempted murder, possession of explosives and manufacturing a bomb, and held in

JUST THE TWO OF YOU AND THE WHOLE WORLD TO

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A police spokesman said the planned to detonate the bomb as the company chairman, Lcon Hirsch, walked by.

The company has been criticized for using anesthetized live dogs to demonstrate its equipment for surgical stapling, a new process that replaces stitches in closing wounds. State health officials, responding to complaints by animal rights groups, ruled recently that such use of animals does not violate state law.

one near it." Ms. Trutt, he said,

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A Mandate to Make Sense

Now that George Bush has won the presidency, the battle turns to the electorate's message. The stakes transcend words, for whoever defines the voters' mandate will shape the political terrain and gain power. Democrats contend that Mr. Bush

achieved a personal victory, not a policy mandate. They say the majority simply felt more comfortable with his personality and experience than with the technocratic visage of Michael Dukakis. They point to Democratic gains in the House and Scaate in the face of the Bush near-landslide.

Republicans find evidence in the exit polls to show that many voters endorsed Mr. Bush's "toughness" on crime, defense and resistance to new taxes. To Republicans, the public rejected change in favor of

continued peace and prosperity.

But the campaign showed the usual contradictions: Yes, punish criminals more harshly, people said, but they said nothing much about anti-crime policy or even about eliminating the notorious furlough programs. Yes, keep the nation strong militarily, but don't increase defense spending and do improve relations with Moscow. Yes, abjure new taxes, but cut the federal deficit. Thus it remains for partisans, pundits and, above all, for Mr. Bush to sculpt the

mandate. The president-elect can do so only by fashioning ends and means and costs into policies that make sense. He took the first steps Wednesday. He held out a conciliatory hand to Congress while insisting that "the American people, in voting for me, voted for certain things." He declined to describe his 54 percent victory as providing a mandate, but added that "the vote was convincing enough ... to carry over and influence the Congress."

That way of describing the mandate makes sense. The same good sense shines through in the choice of James Baker to he secretary of state. Mr. Baker is not steeped in foreign policy and his record in foreign eco-nomic policy is spotty, yet he is a practical man with a command of strategy. He will have to be practical in working with Mr. Bush to keep inevitable White House, State Department and Pentagon disagreements

from spiraling out of control.

Mr. Bush also shows good sense in reaffirming current policy toward Moscow, calling for an early meeting with Mikhail Gorbachev and rejecting linkage of agreement in one area to Soviet concessions in others.

On economic policy, however, Mr. Bush clings to the discredited idea of growing out of the deficit while holding the line on taxes. Climbing down from this perch will not be easy. Yet his plan for a flexible freeze on spending sounds sensible. And on Wednes-day, he did permit a distinction between taxes and "revenue enhancements" for purposes such as catastrophic health care.

In reducing the budget or trade deficits or improving relations with Moscow, Americans have the good sense not to ex-pect miracles. Most also recognize pretty quickly when the policies offered produc only stagnation or deterioration in the economy, in education, transportation and health, and forsake the children.

Mr. Bush's challenge is to work with the Democratic Congress without abandoning the Reagan legacy, to make policies that won't he laughed out of town in a day or a year — plausible policies that can inspire hope and elicit sacrifice. That is how he can shape, and earn, his mandate.

-THE NEW YORK TIMES.

Progress on the Prisoners

It takes some stretching to imagine that Iran and Iraq, whose leaders dispatched a million or more soldiers to death in an eight-year conflict, will pay heavily now to get back the tens of thousands of prisoners of war they apparently hold between them. Still, the POW question has been on the agenda of the peace talks the two sides are oducting under United Nations auspices in Geneva, and a good thing too.

A return of those among the prisoners who wish to go home would be a personal deliverance and a positive political act. For-timately, the International Committee of the Red Cross is on hand to press the principle of voluntary repatriation, which is especially important to apply here since both of the involved governments are police states. The agreement that delivered the two movernments to a cease-fire last August

calls for repatriation "without delay." In this instance, Iraq is espousing the high road, demanding the immediate mutu-al release of prisoners as a "humanitarian" act and claiming that the Iranians are using prisoners as "hostages." Iran is in a more reluctant public posture, insisting that first Iraq take certain steps to firm up the cease-fire and that it pull out its military units still

sitting on Iranian territory. The propagan da advantage goes, in this round, to Iraq. Iraq, however, is straining in the peace talks overall. President Saddam Hussein made an immense error when he launched a war he thought would be a breeze and then war ae mongni would be a oxecte and then found Iraq caught in a deadly maw. To demonstrate to his people that the war was worth its staggering and otherwise unnecessary costs in blood and treasure, he must have something to show for it. What he wants to show is sovereignty over the disputed Shatt al-Arab waterway. But the Iranians insist that the prewar border down the middle of the waterway be reaffirmed.

This is the gut issue of the war, or of the peace now being sought. It is the sort of issue likely to yield only to innense total bargaining in the region's familiar bazaar mode. The great difficulty that outsiders had in helping to bring the war to the stage of a cease-fire indicates the burden that UN diplomats are laboring under now. Still, Iran and Iraq are both seeking the comforts of better ties with foreign states, if not yet with each other, and they are considering early relief at least to sick and wounded prisoners. All the prison-ers deserve to share in the coming of peace.

—THE WASHINGTON POST.

On Scientific Citizenship

When the KGB spread the story that the AIDS virus had been created in American biological warfare laboratories, the Soviet scientific establishment knew it was a lie but did not protest. In a remarkable recent speech, Roald Sagdeyev, past director of the Soviet Institute of Space Science, chided his colleagues for their silence.

He contrasted their behavior with an American example, praising the scientists who, he said, had courageously disputed the State Department's charge that a Sovietsupplied biological agent — yellow rain — was being used in Southeast Asia.

That is a warm compliment. But it's only partly deserved. The scientific establishent in America was silent about yellow rain. Even now the National Academy of Sciences and other scientific organizations. have not challenged the State Department's assertions, and have given no public support to the individuals who did

The skeptics were led by Matthew Meselson, a Harvard biologist. By persistent questioning and study be established the falsity of each element in the State Department's reasoning. By 1985, Dr. Meselson

had conclusively demonstrated that the department's samples of yellow rain were in fact the dried dung of jungle bees. Without his extraordinary efforts, the suspicion that Moscow had gratuitously broken the treaty outlawing biological warfare would still pollute international relations.

Scientists surely have a duty to speak out when they have special knowledge. Those who invented nuclear weapons assumed a moral responsibility for enlarging public discussion on how those weapons should he used. That tradition continues strongly among American physicists, and the san duty has long been carried out almost sing-lehandedly in the Soviet Union by Andrei Sakharov, who helped develop Soviet fusion weapons. Drs. Sakharov and Sagdeyev are both now visiting the United States.

Rightly, many American scientific groups were quick to protest the Soviet roment's harassment and exile of Dr. Sakharov. Regrettably, they have been far slower to respond to the evidence Dr. Meselson provided of governmental abuse

of science at home. -THE NEW YORK TIMES.

Much the Same Old House

The feminist Eleanor Smeal has said that the House and Senate have been turned into "incombent protection clubs." That was especially true in races for the House this year, where an astounding 99 percent of those seeking re-election were returned to office. Of the 408 incumbents seeking reelection, only four lost their seats - and two of those were plagued by serious ethics questions. A few others, such as Maryland's Representative Roy Dyson, had close calls but managed to hold on by their fingertips.

As a result, the House in the 101st Coness will look much like the House in the 100th — heavily Democratic and led by Jim Wright of Texas. Though he remains under an ethics cloud himself, Mr. Wright will be stronger than ever. He will be the only leader in Congress or the administration who will not be new to his job, since

Other Comment the Senate must replace Robert Byrd of West Virginia as the majority leader. The Democrats held 257 of the House's 435 seats in the previous Congress. They picked up at least two seats Tuesday and could have a five-seat gain by the time absentee ballots are counted in a few tight

> years that a political party lost the White House while gaining strength in Congress. The Democrats' congressional victories can be interpreted as a sign that voters are satisfied with the sort of divided government the nation had during the last two years. They apparently look upon the Democratic Congress as an appropriate check on a Republican president, and vice versa. So the Democrats in Congress will share responsibility with the new Republican president for sound leadership and sensible policies for the nation.

races. Their gains mark the first time in 28

- The Baltimore Sun.

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Don't Deny Bush His Legitimacy

By Charles Krauthammer WASHINGTON — The "man-date" nonsense has been go-

ing on nonstop since election ment Every half-hour, one mayen or another declares that George Bush won the election, but no mandate. The insistence on this point is curious, since Mr. Bush never release for a mendate. He never asked for a mandate. He never even presented an agenda. He held even presented an agenda, He nead a referendum on the status quo and won in a walk. (So, incidentally, did the House of Representatives: 98.5 percent of incumbents were re-elected, a figure the Supreme Soviet will have trouble matching.) Mr. Bush's only promise was more of the same. And as Dwight Eisenhower made clear in tiling the first volume of his memoirs, man-

first volume of his memoirs, mandates are for change. If you want reform or revolution, you need a mandate. If you promise continuity, you need only a majority.
So why the fuss about mandates?

So why the fuss about mandater? It is a pre-emptive attack on Mr. Bush's legitimacy. When Democrats defiantly declare that they refuse to give Mr. Bush the mandate he never asked for, they are not being tautological. They are being acutely political. Mandate talk is code. It a high-sounding way of saying that Mr. Bush may have won on paper, but because he won in a way of which one disapproves, he is not enwhich one disapproves, he is not en-titled to the full powers of the office.

titled to the full powers of the office.

Congressional Democrats, enraged at losing one they thought they should have won, may be in no mood to listen to President Bush. They have the perfect right not to. But mandate talk is a subtle way of saying they have a duty not to listen. They will be deaf to the president not because of ideological or partisan reasons, but by authority of the people as solemnly expressed at the ple as solemnly expressed at the polls. It is a way of saying: We are authorized to resist Mr. Bush not just by the nature of our congressional vote, but by the nature of his presidential vote, correctly understood.

Incorrectly understood. The Founding Fathers said nothing about a president needing a mandate to exercise his executive functions, only a majority of the Electoral Col-lege. That was John Kennedy's view, too. After winning election by the smallest popular margin in history, "he rejected the argument that the country had given him no mandate," wrote Theodore Sorensen, Kennedy aide and Dukakis speechwiner. "Foery election has a winner and a loser, he said in effect ... a margin of only one vote would still he a mandate."

N EW YORK - People, even very

intelligent people, have some far-fetched ideas about what presidents

and prime trimisters can do.

The fate of the Mideast "peace process," we were told, depended on who won the Israeli election. Shingan Peres

and the Labor Party would make

peace, it was said, because they were ready to exchange "land for peace." Yitzhak Shamir and Likud would not

make peace, because they were not willing to make such a trade.

have held these views, prompting their

extraordinary meeting with Yasser Arafat on the eve of Israel's election.

These views also encouraged many Western capitals to pull for Labor.
When Israeli voters failed to make Mr. Peres their prime minister, it was widely remarked that the chances for

peace in the Middle East had been

dealt a bitter blow. But the notion

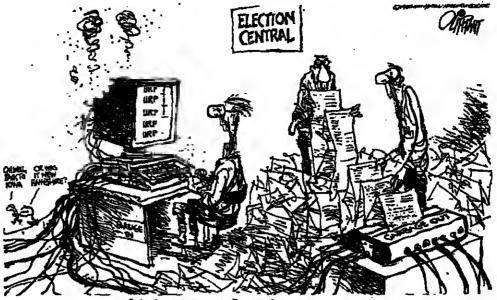
that either Mr. Peres or Mr. Shamin

could make "peace" between Israel and its neighbors is extraordinary.

The reason there has been no peace

is that Israel's neighbors have been

President Hosni Muburak of Egypt and King Hussein of Jordan seem to



A virus just ate the entire vote count see'll have to hold the election over again.

The point is that for a mandate to an act of pre-emptive diminishment. overn — all that most presidents. Yet those who do the comparing are govern — all that most presidents have asked for — you need only a cone-vote majority. A mandate for change requires an agenda ratified by a landshide. But that is quite rare; it has becomed only they fine. it has happened only three times since World War II. In 1952, Eisenhower won a mandate to end the Korean War. In 1964, Lyndon Johnson won a mandate to launch the Great Society and keep the country out of war. (He batted 500.) And in 1980, Rouald Reagan won a mandate to rearm and cut taxes.

Compared to the norm, Mr. Bush's mandate to govern is as firm as that of any postwar president. Comparing him to '52 or '64 or '80 is generally those who opposed every element of Mr. Reagan's mandate when he tried to enact it. There are three kinds of president.

There are those, like Mr. Reagan, for whom the presidency is a means, a way to do things to the country—an ideological cause. Then there are those, like Richard

Nixon, for whom the presidency is an end, a way to do things for them-selves (satisfy resentments, com-mand respect). The presidency for them is a psychological need.

And then there are those, like George Bush, for whom the presidency is a job, a way to serve. The

presidency for them is an aristocra obligation. They have no national agenda to enact, no personal agenda to work out. For them, the presidency is a station in life that you achieve,

a stewardship that you assume.

The first type of president wants to use the presidency. The second wants to be president. And the third wants to occupy the Oval Office and to do what needs to be done. He will discover exactly what that is

when he gets there.
That is what Mr. Bush asked for and what he won. Not much. But it is perverse to start off the Bush presidency by denying him even that. He did, after all, win on Tuesday.

A Manipulated Public Can Offer No Mandate

F ROM the beginning, American political theory has rested on the idea of popular sovereignty. In the United States, James Madison wrote in 1798, The people, not the government, possess the absolute sover-eignty." The notion that the public really controls the government has always had elements of myth in it. But

in 1988 it became a grouning fiction.

Madison's vision was of an informed electorate "examining public characters and measures." The vot-ers would be active participants in a public policy debate. Today the voters are passive figures in a process reterly remote from public policy, watching shadows on the wall of Plato's cave.

There is none of the back-and-forth of a genuine democratic process. Instead, each campaign, using the market research techniques of soap salesmen, conducts

market research techniques of soap salesmen, conducts polls to find out what the public wants and then paints its candidate as that. Instead of a chance to examine the candidate, where see 15-second images.

Compare the current election campaign in Canada. There, Prime Minister Brian Muliconey and John Turner of the Liberal Party have held two genuine debates: three hours each, one in French, one in English, without benefit of journalists. They talked to the issues, and what they said had a tremendous impact: Madisonian democracy working in a technological age.

existence, even to discuss peace. When one Arab leader changed his mind and

decided to negotiate, he found a ready

interlocutor in a Likod prime ministe

Menachem Begin. Anwar Sadat paid with his life for the "crime" of making peace with Israel. So did Bashir Ge-

mayel of Lebanon, the only other

Arab leader who has been willing to

sign a peace treaty with Israel.

The "land for peace" formula has been on the table since the United

Nations Security Council adopted

resolutions 242 and 338. U.S. admin-

istrations have repeatedly tried to

"get the peace process going again."
Prime Minister Margaret Thatcher of

Britain has tried her hand with Hus-

sein. Mr. Mubarak and his foreign minister have worked tirelessly to

persuade Mr. Arafat's Palestine Lib-

eration Organization to renounce ter-

rorism and accept the right of Israel

Again and again, the word went out that Mr. Arafat was about to

to exist within secure boundaries.

Israeli Parties Aren't the Sole Determiners of Peace

By Jeane Kirkpatrick

unwilling for the 40 years of Israel's was ready to coexist peacefully with

make clear to the world that he really and political rights of the Palestinian

The hard problems facing America were scarcely addressed in the U.S. election. Neither candidate gave a cine as to how he would handle the most mena-

cane as so now he would handle the most menacing problem of all: the gathering economic storm. Neither said how he would cut the insupportable budget deficit. And the voters had no way to demand answers.

The removements of the 1988 campaign from the realities of government has kept the voters from having any meaningful investors the hand. any meaningful input on the hard questions facing the new president; which of the painful budget choices to prefer, for example. And it has deprived George Bush

of any mandate on major policy issues.

President Reagen came to office in 1981 after a campaign of clear stands for lower taxes and higher military spending. He could claim a mandate, and it gave him political power. Mr. Bush can claim a mandate to make everyone recite the Pledge of Allegiance.

The analysts will long speculate about why the vice president won this election. But there can be no real preement about the myth that popular sovereignty has become. The people sovereign? No, American get to vote now on those flickering images, not having any way to know their views on the issues that will shape our future. We give the winner a blank check — and ask him

to cash it in a skeptical Congress. - Anthony Lewis in The New York Times.

people." Yes, he accepts Resolutions 242 and 338 "along with all other United Nations resolutions."

No, he does not seek "mutual rec-

senition" between the PLO and Isra-

wotil there is a Palestinian state.

But Mr. Arafat made it very clear:

"We are opposed to a Zionist state.

Zionism is a racist movement, ac-

cording to a UN resolution ... We

don't want a racist state in this area."

state" is precisely the state of Israel. In Algiers, Mr. Arafat said what he

has in mind to replace it: "a joint Palestinian-Israeli stare"; one "united with Israel including the Palestinian people and the Israeli community."

On Saturday, the Paicstine National

Council is to meet again in Algiers, It

is burely possible that its members will accept the principle of peaceful cocustence with Israel, But it isn't likely.

Haider Abdul Chafi, a member of

the council, expressed his hope that it

will unequivocally accept the princi-

ple of the coexistence of the two sov-

ereign states "in order to show the

rest of the world whether Israel does or does not sincerely desire to negoti-

exist, there is nothing for any Israeli prime minister to negotiate.

In the coming months, it will be important to remember that had a

Labor government been elected, it would have faced precisely the same harsh, intractable situation that has

faced every Israeli government. It is

doubtful that the Israeli election's outcome would have had any effect what-

ate peace or annex territory." He understands that until the PLO accepts the right of Israel to

What Mr. Arafat calls a "racist

Israel has to ask this from the Palestinian state." And yes, he says, "We are ready to live with them. They don't want to live with us."

The Risky Education Of a Leader

By William Pfaff

PARIS — It has made a crucial change in East-West relations to have men come to power in the Soviet Union with serious knowledge of what goes on in the West. The Gorbachev leadership has worked or traveled in the West and possesses some real acquaintance with Western attitudes and goals. This was not true in the rest and is it reconcerted today. the past, nor is it reciprocated today. No major Western leader has serious direct personal acquaintance of the East. None has lived there or worked there; their experience is of official

visits and little more. It is fatally easy to overestimate the ophistication of leaders. When Ronsophistication of leagues, when some ald Reagan took office in 1980, the difficulty foreign diplomats and po-litical leaders had with his new officials, recruited from conservative po-

The Kremlin's lesson came almost too late.

licy circles, was not ideology but the fact that they had to be educated to grasp the real problems.

Only after they were educated was it possible to argue with them about issues, and for that matter, about ideases, and for that matter, about its ogy. I attended a meeting in West Berlin where Mr. Reagan's people first confronted a number of West Europe-an policy makers. The Americans made it plain that they were convinced that Western Europe was already all but "neutralized" — "Finlandized" was the phrase then used — by an aggressive Soviet Union, and that Europe was in irreversible decline.

Now many of these same people defend arms control deals with the Soviet Union that the West Europeans consider risky, and they argue about how the U.S. economy should be protected against Europe's mount-ing trade competition.

Another lesson in the risky igno-

rance of leaders is provided in the account, just published in London, of how the Kremlin interpreted a North Atlantic Treaty Organization exercise in the fall of 1983 as a possible nuclear strike against the Soviet Union.

The source of this story is Oleg Gordievski, the KGB officer who for a decade worked for British intelli-gence as a double agent, eventually becoming KGB station chief in Lon-don. (The British rescued him from Moscow in summer 1985, after he

had fallen under suspicion.) Mr. Gordievski, as quoted by the British journalist Gordon Brook-Shepherd, said that the Soviet Union's aging leaders became in-creasingly worried about the possibil-ity of an American attack beginning with the Iran crisis and President Jimmy Carter's creation of a Rapid Deployment Force. When Ronald Reagan came to office, the hostile seemed to justify their fears.

An emergency intelligence watch was established by the KGB and Soviet military intelligence, the GRU, to monitor political evidence that the West might have decided to attack, and in periods of tension to observe the movements of Western leaders, signs of changed working patterns in Western government offices, evi-dence of the stockpiling of food, blood and medical supplies, of civil defense preparations and so on. According to Mr. Gordievski, this

system was activated in November

983, when the interim Soviet leader Konstantin Chemenko, was dying, and NATO launched an exercise concerning allied nuclear-release procedures in the event of war. According to Mr. Gordievski, Moscow feared that the NATO exercise was a disguised build-up to an actual attack. NATO procedures subsequently were changed, according to this ac-count. What is disturbing however, is that during this period Washington and its allies took for granted that Anatoli Dobrynin, then the Soviet ambassador in Washington, as well as other Soviet observers in the West, had reassured Moscow that the "evil empire" rhetoric had nothing to do
with the West's real intentions. In fact,
the unthinkable was being thought in
Moscow — and in the West as well. Today the technical and academic

resources for understanding the other side are larger than ever. Yet one has to ask if leaders make sensible use of those resources. The gross caricatures of nation, policy and national motivation that marked the U.S. presidential campaign are not very reassuring in this respect. The risk is of imprisonment in one's national preconcep-tions, and it is not a trivial one. International Herald Tribune.

O Los Angeles Times Syndicate.

Cyprus: Fighting the Ahab Syndrome

nean in June, is legendary. Except

when governments get in the way. Since 1974, the Green Line imposed by the Turkish army, which was reacting to violence against Turkish Cypriots by Greek Cypriot terrorists, has run like a fault line scross the northern third of the island. The checkpoint here is secured by armed guards, barbed wire and a

chill as omnous as the Berlin Wall. For 14 years, each side has projected onto the other the darkest evils and vilest motives. When I interviewed Greek Cypriots, they would portray Turks in the north as roving barbatians who massacred women and children and would do so again. On their side of the line, Turkish Cypriots used identical language to describe Greeks.

Each group warned me not to he intellectually seduced by wily talkers on the other side. If I happened to suggest to Greeks that Turks had a virtue or two, or said that to Turks about Greeks, the response was similar: You've been had.

Any effort on my part to shift perceptions about the enemy was routinely resisted: I was well-meaning but naive. If I were in Belfast nussiem. Pretoria or another zone of hate where projections of evil are the accepted way of thinking it probably would have been the as Herman Melville wrote of the syndrome: "All that most maddens and torments; all that surs up the less of things; all truth with malice in it; all that cracks the sinews and cakes the brain; all the subtle de-monisms of life and thought; all

N ICOSIA — Cypriot hospitality, as warm as the Meditiens—

By Colman McCarthy

evils to crazy Ahab were visibly personified and made practically assailable in Moby Dick. He piled upon the whale's white hump the sum of all the general rage and hate felt by his whole race from Adam down; and then, as if his chest had been a mortar, he burst his hot

heart's shell upon it." Yet Cyprus has one advantage over other divided places: No guns are firing, A bloody but brief war — 6,000 killed, 200,000 displaced — sindered the island in 1974. Since then, a propaganda war has raced. with no shortage of enlistees.

One who refuses to sign up is Vamile D. Volkan, a professor of

psychiatry at the University of Virginia medical school. Dr. Volkan, Cyprus-born and the son of a teacher in a Turkish Cypriot school when the island was under British rule, interviewed families and patients in Cyprus whose lives were disrupted chronic intercommenal conflicts. From that research, he wrote in 1979, "Cyprus - War and Adaption: A Psychoanalytic History of Two Ethnic Groups in Conflict."
The book, reaching careful con-

clusions that respect the lasts en-dured by both sides, views the island as "a psychosocial laboratory." Dr. Volkan discovered that ethnic groups can suffer psychic injury as surely as can individuals: "When in the summer of 1968 the Greek soldiery withdrew from their encirclement of the Turkish enclaves, the Turks living in them did not rush through the newly opened gates of

their 'prison.' The wall around them had assumed psychological signifi-cance, not only did it protect them from outside danger, it enclosed them to form a cohesive living unit. Those who lived together inside de-veloped a world of their own, one in which the reality of hope was tinged with magic and illusion. They felt safer in their familiar restraints than with freedom when it came."

Israel. Mr. Mubarak offered such as-

surances after the recent meeting with King Hussein and Mr. Arafat.

But no such assurances were ever

The only time Mr. Arafat has said he accepts Resolution 242 is when he

hamped it together with "all other

United Nations resolutions" concern-

ing the region. Since many of these other resolutions call for the isolation

and elimination of Israel, such an af-

these matters came at a meeting in Algiers in April 1987. That confer-

ence produced an explicit rejection of

Resolution 242 and of the Camp Da-

vid accords, and attacked Egypt for having made peace with Israel. Now, in an interview with Time

magazine, the PLO leader has again made himself clear. Yes, says Mr. Ara-

fat, he is ready to attend an interna-

tional peace conference and negotiate with Israelis on "self-determination

The last official PLO statement on

firmation is no affirmation at all.

forthcoming from Mr. Arafat.

Psychiatry calls this "defensiveadaptive behavior." Breakthroughs are rare. One may have occurred in Nicosia on Oct. 24 when 1,500 Greek Cypriots and 120 Turkish Cypriots enjoyed each other's company for a few hours on the grounds of the old Ledra Palace Hotel. An open house, in which food was served and music played, was spon scred by United Nations forces that now use the hotel as barracks.

Greeks and Turkish Cypriots who hadn't seen each other in 14 years embraced. School children who had never known anyone on the other side met. Torks who had never spoken with a Greek leader had a chance for a conversation with President George Vassiliou of Cyprus. Currently engaged in meetings with the Turkish Cyprict leader, Rauf Denktash, Mr. Vassiliou, a progressive who seeks to demilitarize Cyprus, saw the UN reception as another push toward ending the island's self-destructive divisions.

The afternoon brought to mind what Georgi Arbatov, the Soviet expert on the United States, said to Americans: "We are going to do something texrible to you. We are going to deprive you of an enemy." Washington Post Writers Group.

Soever on a "peace process."

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100, 75 AND 50 YEARS AGO

1888: Police Chief Quits LONDON - The resignation of Sir Charles Warren, the Chief Commissioner of Police, was announced to-day [Nov. 12]. Asked if he resigned on account of the Whitechapel murders, Sir Charles replied, "No! People

talk as if nothing has been done. Every single idea was investigated. Every alsughter house is under watch for the murderous butcher. And there are some clues which still occupy our attention. Some sixteen years ago a mysterious assassin in Paris chose his tims among the demi-mondain He turned out to be a certain Nicolas Wassili, of Russian origin, who had committed his crimes under the influence of religious fanaticism. The question is whether this maniac has roue to London and re-commenced his curious method of saving souls,"

1913: 150 Die in Storms NEW YORK - The storms on the

lives. Cleveland is under two to six feet of snow, but the downfall ceased early this morning [Nov. 12]. The food supply is very short, and factories are shutting down because of lack of coal. It is impossible to bury the dead owing to the depth of the snow.

1938: Jews Are Fined

BERLIN - The Reich today [Nov. 12] decreed measures to ostracize the 600,000 Jews left in Germany from the economic and cultural life of the nation and to reduce many of them to destitution or to dependence on their co-religionists for their means of subsistence. These measures include: A collective fine of 1,000,000,000 marks as a racial reparation for the slaying of the German diplomat in Paris by the Polish Jew Grynstan; a ban, taking effect on Jan. 1, against Jews owning business of any kind, or occupying managerial positions; and an order to owners of theaters, concert halls and cinemas to refuse admir-Great Lakes have cost at least 150 tance to Jews on pain of heavy fines.

صكرامن الأصل

It's Not Too Late to Defeat Dan Quayle

cious combination of all the reasons

and inducements which were proper to

The Founding Fathers foresaw neither the emergence of the party system nor the trend toward requiring prespective elec-

The Electoral College could

tors to piedge support to their party's

ticket. (About half the states have such

laws.) Some faithless modernists who es-

chew original intent - "liberals" we

might call them - have gone so far as to

History teaches otherwise. Recent

elections have featured the exploits of

electors true to the spirit of Samuel

Miles who, in 1796, abandoned his

pledge to Thomas Jefferson. In 1956, an

Alabama elector, W. S. Turner, cast his

ballot for a local judge instead of Adlai

Stevenson, Four years later, Henry Irwin

forsook his pledge to Richard Nixoo and

Henry Cabot Lodge. Solitary electors also botted in 1948, 1972 and 1976.

are probably unenforceable because the

constitution provides for electors voting,

Most scholars agree that pledge laws

pick Dole or even Bentsen.

govern their choice."

By William Plat PARIS — it has made to change in East-West who have men come to power intermediate what goes on in the West They have leadership has worded at the how leadership has worded at heal acquaintance with West and goals. This was mades and goals. This was the past, not is it reciprosest. No major Western leader has direct personal acquaintance there it their experience is of the winis and little more.

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YEARS AGO

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OPINION

Education A 'Kinder, Gentler Nation'? Here's What Bush Can Do

By A. M. Rosenthal

N EW YORK — George Bush says nor Michael Dukakis. It would lift rather it so often and so deliberately that er than diminish Mr. Bush to say, one the assumption has to be that he means it. He wants to use the presidency to help make the United States a kinder, gentler nation.

The president-elect has offered no mformation about how he plans to do it. We can simply dismiss the whole thing as an unpleasant piece of political hypocrisy, coming from a man who fought one of the least kind and gentle campaigns m recent American history.

But automatic cynicism and assumption of ill intent, terribly fashionable at the moment, are not particularly useful.

ON MY MIND

They are the emotional equivalent of illiteracy. Both are intellectually blinding.

It is much more interesting to assume that Mr. Bush means it, even if he has

not yet figured it through.

It is an intriguing choice of words.

They are Mr. Bush's own, so even if a speechwriter wove them into a slogan, they tell us something about how the president-elect sees himself and would like to be seen.

What other president would use them? Probably not Ronald Reagan, because he does not have the sense of selfinquiry that those two words, so unusual for a politician, imply. Anybody who comes out so often for kindness and gentleness seems to want more in himself and those around him.

Jimmy Carter might use those words. In at least one way he made them a reality - his emphasis on human rights, heard in the cells of political prisoners around the world. Kindness to the oppressed is toughness to their termentors.

Neither Franklin Roosevelt nor Lyndon Johnson used the words, and in both men's careers there were signs of cruelty. FDR did little to help Jewish refugees from Germany. President Johnson was not kind enough to the country to dig it out of Vietnam.

But in their presidencies both men did in some ways make the nation more kind and gentle. FDR gave dignity and some security to working people. LBJ gave blacks part of their due through civil rights legislation.

Mr. Bush can start showing that his heart understands what his mouth says by cutting out the nasty, hard-guy, enforcer talk: Read my lips. One false move, you are history.
You can hear the ugly chatter of the

automatic pistol from the television screen, see beery men in bars nudge each other approvingly. It is mean talk from anybody, and from a president, a mean example.

Mr. Bush can speak of the need to respect the beliefs of others - redemption for his flag-waving insults to Goverer than diminish Mr. Bush to say, one day, that he regrets those slurs.

It would help if he got to know blacks better, so that every time he raised his hand in welcome they would not flinch, expecting a pat on the head. That will take effort, time and again.

So will establishing his own record as a man deeply interested in human rights, at home and abroad. That may mean facing down American businessmen and Kremlinologists who urge him to give the Russians all the money and technology they want, quick, before the Gernans corner the market

It will also mean facing down the next Third World Marcos who comes along instead of putting his arm around him. A president cannot climinate all foreign tyrannies, but he should not announce his favorites, in kindness in the victims.

Mr. Bush can do those things himself. The price is only self-examination and self-control; he has demonstrated both.

There is one other obvious way to make the country gentler: Eliminate handguns useful only to criminals and make other guns harder to get. Mr. Bush turns his back on gun control.

But he will not be able to avoid more critical problem if he means

what he says: money.
It would be kinder to all Americans if drug enforcement and therapy were adequately funded. It would be a gentler nation if there were enough money to deal with the mentally or economically

wretched in the streets. How will Mr. Bush back up his promises to become the education presdent unless he provides more money for early-start programs and day care,

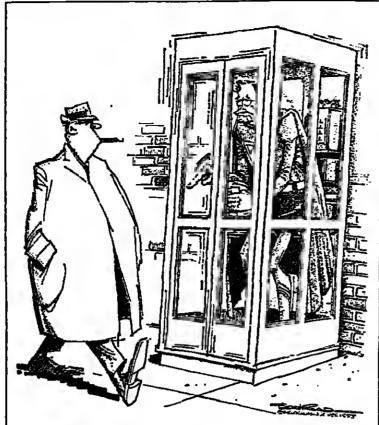
where education begins? Environmentalism is one of his defini-tions of presidential kindness. Can he bring cleaner air and water, free?

Where will he get the money for all those things — the struggles against miserable education, drugs, homelessness, polluting filth — if he opposes all new taxes to raise the money

Making the nation kinder and gentler is a fine goal for a president, worthy of the office and the country. It speaks well of Mr. Bush that he set it. Now he will have to answer that important question that candidates ignore but presidents cannot: Yes, but how?

The New York Times.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address, Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.



By David A. Kaplan and Gary S. Simon

N EW YORK — Dan Quayle does favorable to deliberation, and to a judi-

years old, U.S. citizens by birth and not suggest that such pledges divest electors yet dead. Additionally, electors may not of their constitutional prerogative.

dent of the United States. Just ask the

framers of the constitution, who devised

the Electoral College precisely to deal

with such a predicament, In fact, the post of vice president could fall to Senator

Bob Dole or even Senator Lloyd Bentsen.

Under the electoral system, voters on Election Day select 538 delegates — "elec-

tors" - who meet Dec. 16 to vote for the

president and vice president. If neither

candidate gets a majority, the task falls,

Of course, members of the Electoral

College cannot pick just anybody. The

constitution restricts their choice to

those individuals who are at least 35

yet dead. Additionally, electors may not vote for two residents of their own state.

For example, the 29 electors from Texas

may not vote for George Bush and Lloyd Bentsen; the other 397 Republi-

Those who revere the doctrine of orig-

inal intent know that the electors were

never supposed to be a rubber stamp. In

Federalist Paper No. 68, Alexander

Hamilton wrote that the president and

vice president should be chosen by per-

sons "most capable of analyzing the

qualities adapted to that station,

and acting under circumstances most

can electors have no excuse.

respectively, to the House and Senate.

Keep an Eye on the Ones That Eat Metal

MIAMI - Well, in case anybody is interested, it looks like we're about to be eaten by insects. You may have missed this, because it was reported people wisely skip over.

Anyway, there was a story stating that several million locusts have flown over to the Caribbean from Africa. Did you hear me? I said SEVERAL MIL-LION LOCUSTS HAVE FLOWN OVER TO THE CARIBBEAN FROM AFRICA. Think about that. I mean, we are talking about THOUSANDS OF MILES. Many U.S. air force PLANES cannot fly that far. So we are talking about state-of-the-art insects here, insects that, according to the story, get to be twice as big as regular local civilian grasshoppers. Also they are pink. Also we can assume, unless they were given

in-flight meals, that they are bungry.

So right now we have giant pink grasshoppers down there munching away on, for example, Barbados, And as if that is not alarming enough, we also bave to consider the question of the Formosan termites. These have also been in the newspaper. They are an improved breed of termite that was discovered in 1980 eating a condomini-

matter, and probably never will.

Precedent also exists for organized

rather than random, exercise of electoral

discretion. Consider what happened in

1836, the last time a sitting vice president was elected to the White House.

Martin Van Buren won 170 of 294 elec-

toral votes. However, 23 electors thought

his running mate, Richard Johnson, un-

worthy of the vice presidency and with-

held their votes from him. Denied a ma-

jority in the Electoral College, Mr.

Johnson became vice president only by

And how will the young vice president-

he brought home bad news from college.

comment to The New York Times.

This year, the electors could give a

winning election by the Senate.

ate made the decision.

By Dave Barry

um in Hallandale, Florida. This in itin the section of the newspaper where self is not so bad. I myself would be in we put the Major News Events such as favor of some kind of government asthe presidential election, which most sistance program for an insect that ate only condominiums. But the Formosan termites multiply at a spectacular rate and swarm around and eat EVERY-THING. They can chew their way

MEANWHILE

through METAL. Needless to say they are spreading like crazy, and nobody

seems to be able to stop them.

Which immediately brings to mind the Asian cockroach, an improved breed of roach that has been documented extensively in scientific papers such as the Dave Barry column. Whereas a normal cockroach is shy and retiring, skittering away in guilty fashion when people get near, the Asian cockroach acts like a state legislator at a Rotary Club meeting, barging right up to you to see if you're eating something he might like a taste of. This is the cockroach that, on at least one documented occasion, crawled up a person's NOSE. Needless to say it is spreading rapidly, including in our direction, and no-

body seems to be able to stop it. And let us not forget the killer bees! No sir! These are of course the vastly improved bees that are slowly but snrely stinging their way north-ward from Mexico, cow by cow. The good news here is that somebody actually IS trying to do something about the killer bees, but the bad news. is that it's the federal government, so there is no hope.

I have been thinking about what we

bere in the journalism profession should do about all this, and I think our single greatest contribution would be some kind of Impending Doom Tracking Map. It would hasically be a hurricane tracking map, except it would be expanded to include the African locusts, the Formosan termites, the Asian cockroaches and the killer bees. While we're at it, we could also include the greenhouse effect, toxic waste being washed up on beaches, radon gas, manatee deaths and whale strandings. Ideally, the television and radio weatherpersons could start giving out the coordinates of all these things on an bourly basis so that you, the interested public, could keep track of them, and be ready to take the necessary precautions. I'm going to take some right now. Knight-Ridder Newspapers.

LETTERS TO THE EDITOR

Behind Jordan's Changes which implies freedom to act. The U.S.

Regarding "Jordan Puts the Brakes on the High Roll" (Nov. 7): Supreme Court has never decided the

While there are elements of truth in Alan Cowell's article on Jordan's economic situation, be is mistaken to suggest that Jordan's recent economic austerity measures will "further diminish the role Jordan once played as a princi-pal focus of U.S. attention in the stalled drive for peace in the region." Jordan has faced economie difficulty before, but never did this "diminisb" its political role. On several recent occasions, His Majesry King Hussein has reaffirmed Jordan's continued role in and commitment to the peace process.

majority to Senator Bentsen — polls show the public prefers him over Sena-The article also implies that Jordanians of Palestinian origin are in danger tor Quayle by 2-1 - or choose a qualiof "being relegated to second-class This is absolutely not true. fied Republican like Senator Dole, or ".zutatz All Palestinian-Jordanians will conrepeat the events of 1836 when the Sentinue to retain all their rights as full-fledged Jordanian citizens, as In five weeks, the Electoral College will face the question; Should Dan guaranteed by the constitution. Quayle be a heartbeat away from the

The social fabric of Palestinian-Jordanian co-existence in Jordan is deeply idency? The answer must be no. rooted; Jordanians and Palestinians reject explain his electoral failure to his have worked and lived together as a united Jordanian family, through good dad? Well, it wouldn't be the first time times and bad, for too many years to now feel "a sense of distance."

Mr. Kaplan is senior writer for The National Law Journal and Mr. Simon is a Regarding the recent change in editorial management of the press, it was prompted by the need to separate news-New York lawyer. They contributed this paper ownership from editorial policy,

and for no other reason. The new editors are leading journalists, bolding long-established credentials and widely respected for their independent thought.

HUSSEIN A. HAMMAMI. Ambassador of Jordan

Differences of Degree

Regarding the report 'Astronauts Aboard Discovery" (Sept. 30):

Lieutenant Colonei David C Hilmers, who was on the crew of the U.S. space shuttle Discovery, is a grad-uate of Cornell College in Mount Vernon, lowa. The biographical sketches of the astronauts that you printed probably led most readers to conclude that he was a graduate of Cornell University in Ithaca, New York.

CRAIG KUEHL.

The July 14 obituary of Joshua Logan states that "he was never graduated from Princeton." He did, in fact, leave Princeton before writing the required senior thesis, and he long regretted ndt having a degree. Many years later (1950) he wrote "The Wisteria Trees" and submitted the play as his senidr thesis. The university accepted it and awarded him an honorary master's de-

S. F. GREGORY. New Delhi.

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Hopes for a Summit Are Blooming With China-Soviet Thaw

By Nicholas D. Kristof New York Times Service BEIJING -- It has been a busy week for two countries that have supposedly still not normalized re-

Three Soviet citizens were attending a conference in Guangdong Province on China's econom-

The Soviet Union was showing off its technology — computers, tractors, and video players — at an enormous exhibition in Beijing.

A Soviet song and dance troupe was performing in the central Chinese city of Chengdu, and a Chinese publisher in Beijing was planning a new Russian-language edition of a magazine about China. Almost three decades after the Chinese-Soviet split, the world's two largest Communist countries

are moving together again.
Prime Minister Li Peng said at a news conference Thursday that, if everything goes smoothly, a Chinese-Soviet summit meeting will take place in the first half of next

Such a meeting has seemed likely since the announcement in September that the Chinese foreign minister will visit Moscow later this year, and these days a meeting between President Mikhail S. Gorbachev and Deng Xiaoping, China's senior leader, seems almost taken for

The thaw is already apparent, for trade is blossoming and middle-aged Chinese are finding new opportunities to practice their rusty Russian with a growing flow of visitors from the north.

Cross-border trade, though still small, is running four times ahead of its level last year. A bridge was completed last

month spanning the eastern bor-der, while China is working on a rail link to unite the countries on their western border. More than 750 Chinese laborers have been sent to the Soviet Union on construction contracts. And a

Chinese-Soviet joint venture - a photography laboratory — has beened near the eastern end of their border. "China and the Soviet Union have entered into an important new

phase of their relationship," the So-viet ambassador to China, Oleg A. Troyanovsky, said Thursday. Mr. Troyanovsky, a former am-bassador to the United Nations, is one of the most experienced Soviet diplomats, a sign of the importance

an alliance that would upset inter-

"We don't believe that the improvement in Sino-Soviet relations will be a threat to the development of Sino-American relations," said Peter Tomsen, the United States

charge d'affaires in Bening.
"In fact, there are benefits for the stability of Asia and globally if we can see advances in Sino-Soviet

The Soviet ambassador, in his remarks Thursday, also acknowldged that the reconciliation would be limited. "We see no prospect for reversion to the situation that existed between the two countries in the 1950s." be said.

Mr. Troyanovsky said the Chinese foreign minister. Qian Qichen, would leave Dec. 1 for Moscow in the first working visit by a Chinese foreign minister since 1956.

Another Soviet diplomat said a return visit by the Soviet foreign minister, Eduard A. Shevardnadze, was likely in January or February.

Most diplomats guess that the summit meeting itself will take place in April or May, probably in Beijing, because Mr. Deng, at 84, rarely travels these days. Disagreements remain,

ally about Victnam and Cambodia, but neither country seems eager to belabor them.

When China and Vietnam fought briefly this year about some contested islands in the South China Sea, the Soviet Union was careful not to take sides.

And when the Soviet Union susended its troop withdrawal from Afghanistan earlier this month, the Chinese grumbled but did not formally protest to the Soviet Embas sy. Both sides also reported considerable progress last month in talks to resolve disputes over their eastern boundary.

While the impetus for a summ meeting seems to be largely political, the growth in ties over the last year has often been based on eco-

not sprawled across piazzas. Rome heaps its cultural splendors upon a In Siberia, for example, it makes sense to trade with Chinese cities a few hundred miles away instead of transporting goods to Russian cities thousands of miles away.

And northern Chinese communities, which have been largely excluded from the economic development of coastal areas, have been interested in finding a foreign market that suits them.

Most of the trade is barter, and economists say it is unlikely that it will ever be important for the two Even so, no one seems to expect countries' overall economies.



Protests Against Chun Flare in South Korea

(Continued from Page 1)

where the government is. But it will

be different when the center of gov-

"Rome," Mr. Falck said, "is not

Unquestionably, the feel of Mi-

lan is no-nonsense central Europe-an, with daily life led indoors and

platter, and invites visitors to dig

By comparison, Milan's plea-

sures are morsel-sized -sleek bou-

tiques and discreet courtyards that lurk in and around stolid buildings.

An old saying here holds that "Milan works, Rome eats." De-

pending on their geographical point of reference, Milanese insist

that Italy ends south of the Po River, or south of Tuscany, certain-

ly south of Rome. From there on. down, it is the Middle East.

ument moves to Brussels."

loved by Milanese."

Riot policemen in Seoul battled a blaze Friday after students harded firebombs during a protest against former President Chun Doo Hwan. In Hyopchon to the south, radical students demanding Mr. Chun's acrest for alleged corruption set fire to his provincial home. Five policemen were injured and six students arrested. Mr. Chun, who left office in February, has denied any wrongdoings.

acid-tongued (and Florence-born) editor of the conservative Milan

Romans respond that Milan is

gray, grim and gruff, not a place where one can live or have fun.

Milanese are sensitive to the

A poster campaign under way to

promote Milan as a "city of art"

lemonstrates a certain self-con-

sciousness about the dearth of

world-famous attractions on a par

with those of Rome, Florence or

"Visitors come and look at The

Last Supper,' and then say that

they've done Milan," said Paolo Viti, director of cultural relations

for Olivetti, the computer giant.

It remains a place to make mon-

ey. Until the flow stopped a few years ago, southern Italians had

daily Il Giornale.

"This city is European; it is not flocked to Milan in search of jobs Italian," said Indro Montanelli, the and a better life.

With only 2.5 percent of Italy's

population, the city of 1.5 million

people accounts for nearly 10 per-

cent of the gross national product.

The per-capita GNP of \$15,500 is 38 percent higher than the national

stock exchange, most of its inves

ment banks, nearly all Italy-based foreign banks and the major fash-

ion houses, advertising agencies and broadcasting companies. "It's already 1992 in Milan," Mr. Viti

said. "The city is already integrated

All this, Milanese say, has been

accomplished in spite of - not

because of - the capital in Rome, which they feel inhibits growth

with enormous budget delicits, a

with the European economy.

Milan is where one finds Italy's

HACKER: Code-Breaking Became a Family Affair

(Continued from Page 1) lasting damage, that it pointed up far more serious security threats.

And, in an interview, Mr. Morris appeared to find it difficult to sup-

press some pride in the technical wizardry of its creator. "I know a few dozen people in the country who could have done it," he said. "I could have done it,

and I'm a darned good program-He is better than good, say his associates. In 26 years at Bell Lab-

oratories in New Jersey, Mr. Mor-ris, a mathematician by training. helped create the Unix program that is the foundation of modern computer operations. Such programs are the rule books by which computers process

the numbers, words, sounds and images fed into them. "He's one of the best," said his onetime supervisor at Bell Labs, M.

Douglas McIlroy. Both Mr. Morris and his son are regarded by their peers as brilliant computer analysts, blessed with insights into mathematical and logical problems whose complexity might confound lesser experts. Yet that is but one of many com-

mon traits that have so bound father and son together that they ap-pear, at times, to lead parallel lives. Both fell into computer pro-gramming more or less by accident.

Both cut their teeth in the profes-sion in summer jobs at Bell Labs, and both maintained computer systems while studying at Harvard University.
Anne Morris, the elder Mr. Morris's wife, said the two men were

acutely aware of the similarities.
"Of course, they are aware of it. How could they not be?" she said in the interview. "Their interests and careers will dovetail so that

political power after 1992.

AIDS is rapidly spreading. Suicide rates are higher than elsewhere.

No sooner had the air-pollution

tempest subsided than new worries

arose about noise levels. And as in

many other cities, central Milan is

the national average.

there will be a continuum of Robert Morrises over the course of computer science

Robert Morris Jr. is the product of a family of bright and fiercely independent parents and children.

Anne and Robert Morris met in 1959 while she was working at the Massachusetts Institute of Technology and he was pursuing a doc-

toral degree in mathematics at Har-vard. Mr. Morris abandoned his pursuit of the degree shortly after oming Bell Labs for a summer job, remaining there through a range of research projects.

Computing proved his real love, and in the 1960s a Bell Labs computer terminal was installed in the 200-year-old farmhouse that the family occupied.

The oldest of their three children, Meredith, now 25, had little interest in computing and now works at the Library of Congress in Washington. The youngest, Ben, 21, proved an avid outdoorsman and works for a New Jersey tree service company.

The middle child, Robert, was officent. At 4, Mrs. Monis said, he was constructing intricate models from cardboard and Scotch tape, including a handgun with working parts and an automobile that could

be steered. And with the children of other Bell employees, he began to play computer games. By age 14 or so, his mother said, his "sleuthing from the outside" on the family computer terminal attracted the attention of Bell Lab officials, who began allowing him to visit his father's office and play with computer pro-

He wrote technical analyses of computer programs just for fun and, as his parents acknowledge, also became an adept electronic cat burglar, using his superior pro-gramming knowledge to sneak in and out of other computer files

MILAN: Italy's Economic Point Man Tries to Shake Off Shadow of Rome His parents say he was depicted, but not identified, in a 1982 maga-Still, few expect Rome to be unzine article as "a quiet, polite young man with soft brown hair and rosy built in a day, or to yield significant The Milanese acknowledge that cheeks" who "has broken into password files, read supposedly private computer mail, and has broken into computers that are linked tothey themselves are hardly prob-About 20,000 addicts make Migether in networks." lan the heroin capital of Italy.

the time, adding he had continued with it because he enjoyed the challenge of testing computer security.

increasingly becoming a preserve of the rich and the single, as mid-So did his father. After 15 years of computer programming re-search, the elder Mr. Morris bedle-class families flee prices that run at least 20 percent higher than came increasingly expert with code breaking and electronic security. City officials talk expansively So talented did he become that Bell about luring people back with new Labs' parent, the American Telehousing and parks that would be phone & Telegraph Co., gave him built on nearly 2,500 acres of abanspecial authority to attempt breakins into Bell computers, on the

"holes" could be plugged.

By the 1980s, associates say, Mr. Morris was both a master cryptog-tapher and one of the world's leading specialists on protecting elec-

tronic information. As his son was entering Harvard as an undergraduate in 1983, he himself was penning notes for his Harvard classmates' 25th anniver-

"A long time ago," he wrote, "I promised myself that I would learn to read Greek, learn in some detail how the planets move in their orbits, and how to decipher secret codes. I have gone a long way to-

ward keeping all three promises."
His am followed the same track. After two summer jobs at Bell Labs, he entered Harvard and was quickly hired by the Aiken Computer Center at the university as a maintenance worker.

Because of his maintenance ability, he was given "super-user" privileges at the center, allowing him to wander at will through high-security files in the system. A former roommate says he ignored the opportunity to make mischief. Why?
"It was no challenge," the room-mate said. "You were already inside. Why do anything?"

UN Assembly Begins Debate On Child Abuse

New York Times Service UNITED NATIONS, New York — The General Assembly has opened a debate on child abuse that is expected to result in the adoption next year of an international convention protecting the human rights of children.

The draft convention, which is almost complete, pulls together all the obligations adults already have toward their children under the UN Universal Declaration on Human Rights and two more-detailed

human rights covenants. For the first time, the convention redefines the obligations as chil-dren's rights. The draft convention also breaks new ground, UN offi-"I never told myself that there cials said Thursday, by establishing was nothing wrong with what I was for the first time the right of children and the time and the time the right of children and the time and the time to enjoy a family life and extending international legal protection to the process of adoption.

The convention binds governments accepting it to provide a properly regulated adoption ser-vice to insure that orphans and other deprived children have access to family life. It also requires them to prevent abuses like the sale of children into forms of slavery and

The draft convention also expressly gives children the right of glacial bureaucracy and a bottom-doned industrial space. But this has into Bell computers, on the pressly gives children the right of less capacity for political intrigue. not gone beyond the mulling stage. promise that he inform his superi-free association for the first time.



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ARTS/LEISURE

International Herald Tribune

Christie's started it on Wednes-

that night, a mere 11 percent, is

almost unheard of in this highly

volatile category. Records flew, a

feat made more remarkable by the

buge estimates and assorted reserves imposed by the vendors.

Jasper Johns became the most

expensive living artist in the world

when "White Flag" went up to

\$7,040,000. This pictorial rendition

of the American flag in touches of off-white nearly doubled the Johns record of \$4.18 million in May.

aiready held by Christie's. Wednes-

day the Johns was acquired by Hans Thulin, a Swedish real-estate

magnate who had flown in from

dream painting a flag, it is one of

red, and by working the paint sur-face in crisscross fashion. As a sym-

bol both of America and of con-

temporary American art which,

would be of even greater appeal to

non-American fans of the art. in-

ed by American buying.

Europe for the occasion.



The Los Angeles County Museum of Art's Pavilion for Japanese Art, which opened in September.

Showcasing Japanese Art

Petit Ballet Cheered in Berlin

contemporary choreographers

In René Allio's simple but effec-

tive settings and with the couturier

colors of Yves Saint Laurent's daz-

zling costumes, everything was

clear and comprehensible, a far cry

from the murky stage pictures that most German theaters feel required

One scene in particular, the

touching pas-de-deux between the gypsy Esmeralda, performed by the enchanting Berlin prima ballerina Rafaella Renzi, and the ugly

to put before their subscribers.

can make work.

By Michael Kimmelman New York Times Service

a Family Affui

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Because of his mainten

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New York Times Serner

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L OS ANGELES — Its winged roofs, zigragging walls and circular towers covered in shards of green quartz loom to the west of the La Brea Tar Pits. The Los Angeles County Museum of Art's new Pavilion for Japanese Art has prompted some observers here to suggest that La Brea's fake mastadons look as though they are rearing up in startled response.

A \$12.7-million building virtually guaranteed to catch the attention of passers-by along nearby Wilshire Boulevard, the Japanese pavilion is the latest and architecturally boldest step in museum's expansion.

Two years ago, the Robert O. Anderson wing was opened to house the museum's 20th-century objects. When a collector of Japanese art, Joe D. Price, offered to donate 300 painted screens and scrolls from the Edo period (1615-1868), the museum agreed to construct

The pavilion was originally designed for Price's estate near Bartlesville, Oklahoma, by Bruce Goff, a follower of Frank Lloyd Wright known for his eccentric designs. Price later concluded that his objects, called the Shinenkan collection and considered one of the finest assortments of Japanese paintings in the world, should reside in a major museum.

After Goff's death in 1982, one of the architect's assistants, Bart Prince, took over the project, adjusting the design to the seismic and structural requirements of Los Angeles, toning down some of the more unusual details and eliminating ornate mosaic panels.

Just as Wright built distinctive structures, such as the Imperial Hotel in Tokyo, that depended for inspiration on traditional Japanese architecture, Goff created a monument that exudes both his admiration for Wright and his own freewheeling spirit.

With roofs supported by cables attached to curving beams that recall Japanese gateways, its plastic translucent walls imitating Japanese shoji, or paper folding the nearby Anderson wing.

sons. Roland Petit's ballet entered

the ensemble's permanent reper-toire after its German premiere

The ensemble's talents and ef-

forts have been wasted on ques-

tionable projects during the past scason. The world premiere of Er-hard Grosskopf's "apolyptic odys-sey" called "Light-Bang" a year ago turned out to be a sort of sym-

bolic pantomime with very little dancing and stultifyingly boring music. Last March, the ineffectual

"Orpheus X 3" also fell flat. The

first was commissioned to celebrate

By James Helme Sutcliffe Dame" movies have recently been

the city's 750th anniversary, the second for the project "Berlin — Cultural City of Europe 1988."

Both left viewers cold.

With "Notre Dame de Paris,"

based on Victor Higgs's novel, the control of the Pagodas," it was also the control of the Pagodas," it was also the characteristic better the control of the Pagodas, "it was also the characteristic high point of Petitics."

audience was given a well-known choreographic high point of Petit's story (both the Laoghtoo and ballet, reproduced in Berlin by

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Quinn "Hunchback of Notre Robert Richemont.

screens, the pavilion constitutes Goff's exotic interpre-tation of the Far East. An airy, curvaceous interior includes ponds and waterfalls.

The 32,100-square-foot (2,953-square-meter) building divides into two parts, one devoted to prints, the netsukes recently donated by Frances and Raymond Bushell, ceramics, kimonos and sculptures already

belonging to the County Museum.

The other wing contains a series of ramps, reminiscent of those at Wright's Guggenheim Museum in New York, along which stand mahogany display cases, or alcoves in the shape of Japanese tokonomas A changing assortment of the screens and scrolls—roughly 30 at one time and gently lighted by sunshine filtered through the translucent walls—is exhibited in

"We have always collected Asian art, but this means an exponential shift in the quality of our collection," Earl A. Powell 3d, the museum director, said about the nenkan bemest.

A building devoted to Japanese art provided the museum with an opportunity to acknowledge the cultural and financial stature of the city's growing Asian community. "It's especially appropriate, given Los Angeles's presence as a corporate center on the Pacific rim," said Powell. Having completed the pavilion, the County Muse-

um has already begun the next stages in a long-term expansion plan. Construction is under way on a new library and

small lecture hall, said Powell, and the museum's trustees have discussed creating a new wing for the decorative arts collection. The institution is also considering major renova-

tions of its original three buildings — designed in the early 1960s by William L. Pereira — housing the bulk of the County Museum's art.

exteriors to make these structures more closely match

tween gymnastics and aerobics, plauded, and although Mario Mar-

Berlin's distinguished American

upbeat for a series of French-slant-

ed productions in honor of the

Among possible changes are the redesign of the

lion, at Sotheby's New York. Mark Rothko made a speciacular jump when "Number 8," showing bands of color, sold for \$2,750,000, comparing with a pre-vious high of \$1,815,000, estab-BERLIN — An enthusiastically seen on German television) and Per dancer, David Nixon, created the tit's uniquely unconcerned mixture role of the evil archdeacon Claude of classic bellet record to the evil archdeacon Claude hished at Sotheby's in 1983. Franz Paris" gave the ballet ensemble of Kline was more than 20 percent up the Deutsche Oper one of its most gestures that look like a cross be- which he was enthusiastically apon May 1988, with "Lehigh" - big bands of black brushed across a white surface — selling for \$2,310,000. Roy Liechtenstein skysomething that only he - among ozzi as the handsome captain of the rocketed, from \$792,000 paid in November 1986 for "Blang!" at Archers Phoebus, has less to dance, he was equally well received.

The Deutsche Oper's Intendant,
Götz Friedrich, said he expected
"Notre Dame de Paris" to be the

Christie's, to \$2.09 million for "I Can See the Whole Room And There's Nobody In It!" The picture, an oversized oil version of a cartoon, shows a man's face seen through the circular opening in some ship's hull

While there is no stylistic link between the record pictures sold

Wednesday at Christie's, they share appointment when it sold for this week to the biggest spending were seen in exhibitions and repro-spree ever at auction. While the duced in publications. They were,

dollar went down and the stock in short, consecrated by history. They enjoyed the additional privilege of being sold as part of a

SOUREN MELIKIAN collection that was itself seen as significant to the recent history of contemporary painting, the Trepainting auction ever, selling 82 maine collection, formed in the last

25 years. The same historical factor was in greater evidence in Sotheby's \$98.5 million sale, which followed Thursday night. This started off with a group of 12 paintings from the col-lection of Victor Ganz and his wife. In a brilliantly written introduction. David Sylvester, the British art his-torian and critic, drew the portrait of Ganz, explaining how he had at first concentrated on Picasso and then shifted focus by moving over to Jasper Johns in 1951, followed in 1963 by Robert Rauschenberg and in 1966 by Frank Stella. "From then on, he bought examples of various

One of a series on the U.S. flag must be seen as a logical sequence theme, which the artist started in to the great Picasso. Indeed, the catalogue was divided in two 1955, after he had seen himself in a halves, one with six Picassos, the those that carries stylization fur- other with six paintings by contemporary artists done between 1955 to 1972. In a separate catalogue, there thest by eliminating any blue and followed more cootemporary

works from various owners. The auction was a riot. The first some would argue, is best summed Picasso, purely decorative in a rathup by Johns's ocuvre, the painting or gloomy vein, "L'Atelier," dated April 1956, zoomed to \$2,860,000. The next one, from the "Femmes deed, this was one of the rare cases d'Alger" series, sold more conser-where Europeans played a signifi-vatively for \$962,500, roughly in cant role during contemporary art the middle of the estimate, while sales that were otherwise dominat- the third Picasso, "La Cage d'Oiseaux," done in 1923 in the Synthetic Cubist manner, dumbfound-The next record price, \$5.72 million, was paid for Jackson Pollock's ed the attendance as it rose to \$15.4 "Frieze," a long horizontal abstract million, the highest price ever paid painting of blobs of red, yellow and for an early 20th-century master. blue, with bands of black and white After that, when a London dealer swirling over them. It was acquired offered \$2,530,000, 50 percent over by Bill Acquavella of New York, the high estimate, for a Cubist porone of the United States's leading trait of 1943 depicting a "Femme dealers in 20th-century art. Here too assise" — Françoise Gilot — no-

the progression over May prices is body batted an eyelash. The fifth Picasso, loosely comsignificant — the previous record The fifth Picasso, loosely comfor Jackson Pollock was \$4.84 milmanner, was almost seen as a dis-

Collector's Guide

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N EW YORK — Relief at have one major characteristic — all were "only" \$4.4 million, the low esting passed the presidential executed in the mid-1950s to the mate. Luckily, Sotheby's had cause election hurdle combined with an early 1960s and are nied to the be- for comfort with the sixth and last ever-growing eagerness to find a ginnings of some crucial phase in Picasso, a particularly harsh porsale haven for roving capital led the respective artists' ocuvre. All trait of a "Fernme nue assise" painted in 1959. Normally the distorted human body topped by a duced in publications. They were, monstrous face would not sell easily. On Thursday, that did not stop it from going up to \$6,050,000, more than 150 percent over the high estimate.

This spectacular start had a knock-on effect on the first contemporary painting. Rauschen-berg's "Rebus." This is a gigantic frieze, 243 by 332 centimeters, which reminds one of those dingy suburban walls where the locals have been pasting posters, splashing paint and scribbling — it comes paper and fabric collage with hastily applied color and some doodling to peocil. The price, \$6,325,000, ocarly doubled the high

By that time, dizzying figures were getting to be the oorm, and no one seemed particularly surprised when a square picture by Johns, monotonously covered with gray, hlotches, graciously ascended to \$4,290,000.

suggesting to the dullest reader that the "young Americans" in question must be seen as a logical action. even the most astute professional thought that "False Start," a succession of red, blue, yellow and orange crisscross splashes, with color names in block lettering appearing in various areas, might beat the record for any living artist set the day before at Christie's by "White Flag," "False Start" more than doubled it at \$17,050,000.

Several professionals from Enrope looked aghast. One of them, unimpressed by the Johns as a work of art, muttered, This figure is unreal. It is totally out of line with the intrinsic value of such a painting." To them the seeming willingness of millionaire buyers to pay any amount of money flashes the warning that currencies are beginning to lose their credibility.

Several anticipate difficulties in the art market next year, probably in the late spring. "You will bear the first cracks around May," one

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NYSE Stocks Sink With Dollar

United Press International
NEW YORK. — Prices closed sharply lower
Friday in light trading on the New York Stock
Exchange, as Wall Street observed Veterans Day amid pressure from the weaker dollar and

The Dow Jones industrial average, which fell 3.55 points Thursday, plunged 47.66 to close at 2.067.03. For the week, the 30-stock index fell 78.77 points.

Declines trounced advances by almost a 9-2

margin. Volume rose to 135.5 million shares from 128.92 million traded on Thursday. "The dollar's weakness and fear of higher interest rates put a cloud over the market all week," said Don R. Hays, director of investment strategy at Wheat, First Securities in Richmond, Virginia.

"There wasn't much volume Friday, so it

didn't take much to drive the market lower," he added.

Mr. Hays said conflicting signals from the last two economic reports put additional pres-sure on the market. The Labor Department said Thursday that wholesale producer prices re-mained steady from September to October, indicating the economy may be slowing and infla-tionary pressures cooling off. But the government last Friday released bet-

ter-than-expected data on U.S. enemployment in October, suggesting that inflation and raising the possibility that the Federal Reserve Board would boost interest rates to slow the economy. Broad-market indexes retreated sharply. The New York Stock Exchange index fell 2.85 to close at 151.24. Standard & Poor's 500-stock

average ahare lost 59 cents.

In earlier trading on the Tokyo Stock Exchange, however, prices soared to a record closing high in a day-long advance that was spurred by expectations of lower interest rates and weaker oil prices. The Nikkei average of 225 listed stocks, which fell 46.36 points on Thursday, rocketed 323.15 points to 28,489.57, eclipsing the former record of 28,472.29 recipied. the former record of 28,423.38 registered

IBM was off 314 to 116%. AT&T was off 14 to

off % to 25%, Procter & Gamble was off 2 to 80 and General Motors was off 1 to 80%. General Electric was off % to 44%. The company said Friday it was selling the outdoor power equipment operations of its Roper Corp. subsidiary to Electrolux of Sweden for \$295

GTE Corp. was off % to 43½ on the anouncement of plans to cut about 14,000 jobs in

Stock prices closed sharply lower in slow trading on the American Stock Exchange. The Amex market value index fell 3.15 to close at 291,48. The price of an average share lost 13 cents. Declines led advances by about a

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index fell 5.77 to close at 267.92. The price of an average share lost 59 cents.

Aug. 5. On the Big Board, Panhandle Eastern was the most active stock, unchanged at 25½.

RJR Nabisco followed, off ¼ to 89½. Prime Computer was third, up % to 15% amid takeover

million in cash. its domestic telephone operations over the next

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Mergers and Acquisitions

Japanese Look To U.S. to Gain New Technology

By Paul Maidment

OKYO — It is yet another of the myths of modern
Japan — that Japanese companies have no taste
for mergers and acquisitions. Takeovers, including hostile ones, have a long and bloody history in
Japan, especially in the turbulent years of economic reconstruction after World War II.

True, it has been 15 years since the previous M&A boom
in Japan, and in recent years, Japan has not seen the
megabuck deals that are making and breaking fame and
fortunes on Wall Street. True, too, that, when possible,
Japanese companies prefer consensus to conflict. But in the

Japanese companies prefer consensus to conflict. But in the current restructuring of the Japanese economy, which is as momentous as the postwar changes, Japanese firms are again turning to mergers and acquisitions.

They are doing so to acquire experience in the new businesses into which they want to diversify. They are

having to buy these skills rather than grow them because of the speed at which the economy is transforming itself from a heavy industry exporting base to the newer domestic-de-mand-oriented, high-value-added manufacturing and ser-

By American standards, the number of Japanese mergers and acquisitions is small. Last year, there were 447 mergers and acquisitions involving Japanese companies, according to Yamaichi Securities, the leading Japanese mergers and acquisitions specialist. The figure excludes several thousand intra-group mergers of companies as part of corporate

The size of most Japanese mergers and acquisitions is matchingly modest. Despite Bridgestone's \$2.6 billion acquisition of Firestone Tire & Rubber, most Japanese mergers and acquisitions fall in the \$10 million to \$30 million

THE NEW TWIST to last year's figures is that for the first time the number of outward mergers and the first time the number of outward mergers and acquisitious: exceeded domestic ones, by 228 to 219. Japanese firms had been involved in more than 50 cross-border mergers and acquisitions for the first time in 1985, according to Yamaichi.

The main target has been the United States. One reason is because the yen's appreciation since 1985 has been sharpest against the dollar, making dollar-denominated assets relatively cheaper for yen-based buyers.

Another is because the United States is where the Japanese can find the skills, technology, products, distribution networks and markets that they want. Also, the United States has few restrictions on foreign investors buying U.S.

States has few restrictions on foreign investors buying U.S.

companies through the stock market.

Next, as a target region, comes Europe. The Japanese are positioning themselves for what they expect to be a wave of

Continued on page V



The success of LBO firms attracted notice, and now others want a chance 'to earn abnormally high returns.'

Leveraged Buyouts **Dominate Takeovers**

By Linda Keslar

EW YORK - In its most robust year to date, the merger business in the United States is fielding bids that are bigger than ever, culminating so far with a record \$20.3 billion leveraged buyout offer for RJR Nabisco, the nation's 19th largest industrial arguments.

trial company.

"Nothing is too big to be LBOed these days," said an M&A specialist at a leading firm, alluding to the current popularity of leveraged buyouts.

Once limited to small companies with lean product lines, this financing technique now domiproduct lines, this rinancing technique now domi-nates the mergers and acquisitions scene, as spe-cialist firms such as Kohlberg, Kravis, Roberts & Co. rely on beavy borrowings to purchase owner-ship of companies from public shareholders, usu-ally in a joint venture with a company's manage-

By pruning a company's assets through sell-offs, the new owners have generally reaped higher rates of return through leveraged buyouts some as much as 40 percent — than through more conservative financing methods.

"Everyone heard about the success of KKR

and other LBO firms and wants a chance to earn abnormally high returns," said Langhorne Reid, co-director of mergers at Paine-Webber Inc.

Specialist buyout firms, which, some speculate, have access to funds that could help finance upward of \$250 billion in new acquisitions. through commitments from institutional investors, are edging out traditional corporate bidders, both domestic and foreign, looking to form new combinations.

"Everyone was first worried about foreign investment activity, and instead they are more con-cerned about whether or not to go private through an LBO," noted a merger specialist who expects bond investors, as a result, to demand stricter covenants to protect their investments against

Overall, the merger business ballooned to a record \$129.4 billion for the first half of the year, 42 percent over the first six months of last year. The pace is expected to continue, with the

buyout phenomenon spreading to larger industrial and cyclical companies. Much of the takeover activity has been concentrated in the food, retailing and publishing industries, with high premiums, and with a record number of more than \$1 killion temporaries on the table. billion transactions on the table.

While the RJR Nabisco offer overshadows all in its immensity, other recent takeover bids in-clude Philip Morris Co.'s offer of \$13.5 billion for Kraft Inc., and Britain's Grand Metropolitan PLC's \$5.23 billion hostile bid for Pillsbury Co.

"There's just a huge amount of capital chasing

deals around," said Robert Carter, a managing director at First Boston, which recently merged with its sister company, Credit Smisse. "Corpora tions are typically strategic buyers and are fairly disciplined in their valuation of a company. LBO firms have pressure to make investments at this

Until this fall, when the latest flurry of take-over activity began, this year's record combina-tion was a foreign takeover — Campeau Corporation's \$6.6 billion buyout of Federated

The technique's popularity is such that nothing is too big be to LBOed these days.'

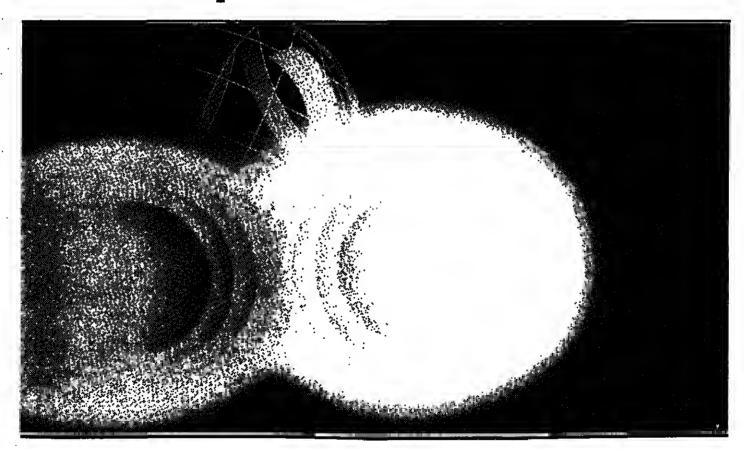
Department Stores. In a singgish retail environ-ment last spring, the Canadian company sold off Federated assets, including Brooks Brothers, the conservative clothing boutique, to British retailer Marks & Spencer. Campeau then sold the Bull-ocks and L Magnin subsidiaries from Federated

to R.H. Macy & Co. Inc. for \$1.1 billion. Foreign companies bought \$31.3 billion in U.S corporate assets for the first half of the year through 151 acquisitions, more than double the dollar value and number of foreign buyouts for the same 1987 period, according to W.T. Grimm & Co., a Chicago-based firm which tracks merger

Reorganizations include Britain's BAT Industries PLC \$5.2 billion buyout of Farmers Group, the PLC \$5.2 billion buyout of Farmers Group, the insurance firm; Rupert Murdoch's News Corporation's purchase of Walter Annenberg's Triangle Publishing Inc., the publisher of TV Guide, for \$3 billion; Mantrust, Indonesia's largest food processor, which bought out the company that makes Chicken of the Sea, the second largest U.S. canned tuna brand, and Japan's Bridgestone Corp.'s \$2.6 billion buyout of Firestone Tire & Rubber Co.

Merger specialists, however, do not expect ye Continued on page II

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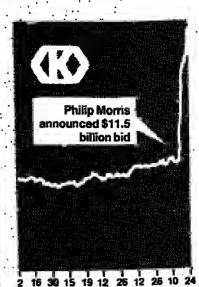


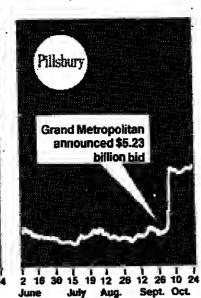
Tracking the Stock of Takeover Targets

The basis of relative stability, the stocks of Holly Farms, Kraft and Pillsbury climbed dramatically after



July Aug. Sept. Oct.





Source: Knight-Ridder Tradecenter

Buyout Phenomenon Spreads

June

Continued from page I

to see leveraged buyouts driven exclusively by

foreign investors.

"Foreign buyers aren't quite comfortable with the idea yet, partially because they don't management," said a want to be so close to management," said a merger expert at Shearson Lehman Brothers. "And from the seller's standpoint, not many management want to go into a partnership with a foreign buyer. LBOs operate on a very

Aside from the RJR Nabisco offer, Kohlberg Kravis has engineered several other large takeovers this year, including the \$1.8 billion management buyout of Kraft's Duracell unit, best known for its batteries. One unsuccessful bid was the \$2.61 billion offer for Macmillan Inc., the publishing company, which was backed by Drexel Burnham Lambert and designed to head off an earlier bid by the British iblisher Robert Maxwell, However, Macmillan last week threw its support behind the Maxwell offer.

In the past 10 years, the firm has built up holdings with revenues rivaling General Electric's, and it has a total purchasing power close to \$50 billion, far above any of its rivals.

While Drexel remains a player in the takeover market, despite recent charges by the Securities and Exchange Commission of hav-ing violated securities laws, other well-known investment banks are carving out a niche in LBO financings.

Morgan Stanley, for example, completed a \$3.5 billion leveraged buyout with the management of a division of Mobil Corp., while smaller Wall Street boutiques are also seeking appropriate buyout candidates.

"It's very important to us that the company

be in a growing industry," said Alberto Cribiore, a partner in Clayton & Dubilier Inc., a management buyout firm in New York. His firm acquired Kendall Co., a health care busi-

they say, many of the companies could collapse if interest rates rise because of the amount of floating rate debt built into LBOs. Other critics say that the buyout phenomenon is not building companies as much as manipulating finances by breaking up compa-

nies, selling off assets and laying off many workers in the process. However, Mr. Cribiore disagrees. "I think we can create more risk-taking in a positive

'Foreign buyers aren't quite comfortable with the idea yet, partially because they don't want to be so close to management.'

ness, from Colgate-Palmolive Co. in a \$960 million leveraged buyout this year.

"What attracted us to health care is that it is recession resistant," he said.

Although Wall Street leaders say the buyout phenomenon is great for their business, it is not without risk since buyouts can saddle companies with too much debt. If a recession comes, sense," he said of the Kendall buyout, "There's an opportunity to enhance the entrepreneurial spirit within the company since management is there in the role as an investor alongside us. We have a vision of a larger company.

LINDA KESLAR is a financial journalist

Takeover Bids Spur Speculation

By Anise C. Wallace

EW YORK - The giant takeover offers this fall have touched off a burst of speculative fever on Wall Street. With many stocks already rising on merger rumors, analysts are scrutinizing hundreds more to identify tomorrow's targets. And brokers are calling clients with tips to

encourage more trading. "Brokers call and say, 'I hear this, I hear that, and you should look at this,' " said Neil J. Weisman, general partner of the Chilmark Capital Corporation, a New York money management firm that invests \$60 million for wealthy individuals. "That's all I'm bearing." Of course, much of the chatter that pass

for research proves to be mere gossip or specu-lation. But the huge takeover offers last month have heightened investors' awareness of the importance of corporate financial acquirers in a market that, since the crash, has lacked any

RJR Nabisco's management announced Oct. 20 that it was considering a \$17 billion leveraged buyout. Several days later, Kohlberg, Kravis, Roberts & Company, Wall Street's leading buyout specialist, came up with a \$20.3 billion offer for the food and

tobacco giant. On Oct. 17, Philip Morris Cos. launched a Sill.5 billion cash tender offer for Kraft Inc.
Meanwhile, Pillsbury rejected a \$5.23 billion
bid from Grand Metropolitan.
Indeed, since Labor Day, the value of the

777 announced offers, some of which represent competing bids for the same company, has totaled \$81.9 billion, said LD.D. Information Services in New York.

"It looks like a frenzy," said Steven A. Kroll, president of S.L.H. Asset Management, the \$30 billion investment management subsidiary of Shearson Lehman Hutton Inc.

The result is a market more and more driven by the prospect of a quick killing. Investors are less concerned with a company's long-term prospects than with the possibility of its becoming a target.

"If things were short-term oriented before they are really short-term oriented now," said Linda S. Newman, president of Atalanta Capi-tal, a New York firm that invests \$200 million for wealthy individuals.

Traders and market professionals say the heightened interest by experienced investors has not yet hired back many of the individuals who fled the stock market after it crashed last

Nonetheless, the speculative fever has be-come so pronounced that almost every big company in the United States is considered a possible target. Portfolio managers say that among those mentioned last month were com-panies as large as Ford, Chrysler, Sears, Roe-buck and J.C. Penney.

The current issue of Financial World maga-

zine even lists the potential breakup value of the 200 largest publicly traded corporations.

Recently, analysts at Bear, Steams & Company, Merrill Lynch Capital Markets, Shearson Lehman Hutton Inc. and Dean Witter Reynolds have issued reports that provide their customers with the breakup value of compa-nies in the food, energy and media industries. Over the past year, Dean Witter has required its securities analysts to include in all written

Top Ten Takeovers

Largest completed/pending acquisitions as of October 31, 1988, in billions of U.S. dollars

BUYER	SELLER	U.S. dollars
1. Kohlberg Kravis Roberts & C	\$20.6	
2. Philip Morris Cos.	Kraft Inc.	13.5
3. Campeau Corp.	Federated Department Stor	es 6.6
4. Grand Metropolitan PLC	Pilisbury Co.	5.23
5.BAT Industries PLE	Farmer's Group Inc.	5.20
6. Eastman Kodak Co.	Sterling Drug	5.1
7: Management	Mont Corp.	3.80
8. Management	Hospital Corp. of America	3.61
9: MGT Morgan Stabley	Forthogard Corp.	3.55
10. American Home Products C	co. Ah Robins Co.	3.28
	An Sonces	loman Biothers No.

reports on companies an estimate of the price that a leveraged buyout fund would pay for the

As a result of all the attention that takeovers and buyouts are creating, the talk on Wall Street lately is rarely of a company's future corporate earnings or new products. Money magers on the receiving end of Wall Street's

More and more, the market is driven by the prospect of a quick killing.

research say that analysts and investment strategists increasingly focus on what a leveraged buyout fund or other acquirer would be willing to pay. Analysts are concerned with cash flow and breakup value, not expected

"Every research analyst starts his morning call with that," Ms. Nowman said.

Over the short run, the takeover binge is pleasing many professional money managers. "Whenever we can get a 40 percent increase in

stock value, we're delighted," said David N. Dreman, managing director of Dreman Value Management, which invests \$3 billion for insti-

"Twe been in this business for 20 years and my heart still stops when I get a Kraft," Mr.

Many on Wall Street expect the takeover surge to continue. In fact, they think it will spread to larger industrial concerns and cyclical companies. The leveraged buyout funds have an estimated pool of \$25 billion in commitments, and that sum can finance acquisi-tions worth a total of \$250 billion.

And, say analysts, companies will acquire other companies for strategic reasons or even

as a defense against other acquirers.
"In trying to protect themselves from hostile forces, the well-known big companies are becoming the raiders," Ms. Newman said. That, in turn, adds up to more large acquisi-

tions, they say.
"I think we're on the verge of seeing more and more action and bigger and bigger deals," said Robert M. Raiff, managing director of research at Cyrus J. Lawrence Inc., who has spent the past several years recomme stocks of companies that he sees as ripe for

Nevertheless, the frenzy worries some investors. They remember that after last year's crash many deals fell apart, leaving arbitragers and other takeover players with huge losses. "Last year they took away a lot of profits," Mr. Weisman said. "You know this is an area

where an accident is going to happen." 1988 The New York Times

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Merrill Lynch Capital Markets

Transnational Operations

EC Commission Tries to Draw Up Clearance Rules

British criticism has set the process back to square one.

By Jacques Neher

ARIS - With Enropean companies increasingly trying to acquire firms in neighboring states, efforts to formulate a European Community merger-control regulation are gathering momentum in

Salomon Brothen in

delighted," said David a g director of Dreman Value in invests \$3 billion for its

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Ms. Newman said.

of \$250 billion.

other acquirers.

But while the EC is in agreement that rules are necessary to prevent crossborder mergers that would create concentrations likely to damage competi-tion in the market, not all its members are happy with a recent proposal that seeks to accomplish that goal.

Though a draft proposal for EC merger-control rules was introduced in 1973, there was little action until last April, when the European Commission redrafted the proposal and sent it to the member states for reaction.

Of the 12 countries, only Britain reacted negatively, but the criticism was biting enough to set the process back to

"The U.K. gave it a thumbs down, and everybody went away scratching their heads," said Vincent Thompson, head of European operations for Morgan Grenfell in London.

The British Treasury criticized the regulations, which would require prior approval from Brussels for most largemergers, as being out of step with the spirit of business. The British fear that the approval process, which would take at least two months, would have a chili-ing effect on large financial operations,

particularly on the London market.
Under the amended proposal, all companies wishing to purchase another would have to apply to the EC for clearance — and wait a minimum of two months for that clearance - when the resulting entity was likely to take on a "community dimension."

The rules would apply to all opera-tions, friendly, bostile, public, private, or even non-European.

A merger would have community dimension, according to the definition in the proposed rules, if its combined worldwide sales exceeded 1 billion ECUs and all parties in the transaction had sales within the EC of at least 100

The 100 million ECU provision, a Commission staffer explained, "would prevent a big oil company from having to apply for clearance every time it buys

For banks, these floors would apply to one-tenth of total assets, instead of sales. For insurance companies, the minimums would apply to premium

However, even if the proposed merger would create an entity surpassing these floors, it would be exempt from the prior approval requirement if each of the parties got more than 75 percent of their aggregate EC sales from activities within the same member state. In the June 1986 to June 1987 period,

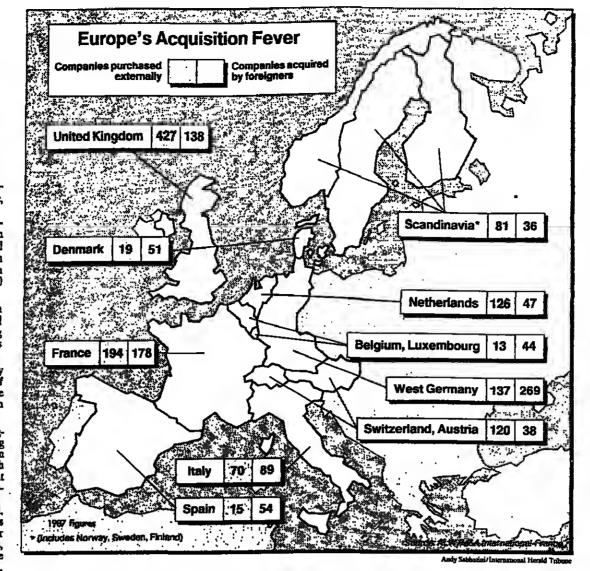
the Commission counted 171 mergers that surpassed the minimum turnover levels called for in the draft regulations, though only a small portion of those also exhibited a community dimension.

For a large operation to win clearance from the EC, the company or companies seeking the merger would have to demonstrate that the resulting concentration was not incompatible with the EC.

Factors to be considered would include "market position of the undertakings concerned and to their economic and financial power; to opportunities available to suppliers and users; to ac-cess to supplies and markets; to the structure of the markets affected taking account of international competition; to legal and factual barriers in entry. and to supply and demand trends for the relevant goods or services."

NDER the proposed rules, mergers resulting in market share concentrations of less would be approved unless an analysis of the above-mentioned factors led to the conclusion that the merger would still damage competition.

However, the rules could still permit mergers, otherwise snagged on these definitions, when their "contribution to improving production and distribution, to promoting technical or economic progress or to improving the competi-



tive structure within the Common Market outweighs the damage to competi-

This provision is similar to one found in Articles 85 and 86 of the Treaty of Rome, which give the Commission the power to punish companies that engage in abusive anti-competitive actions. However, the new provision goes a hit further by stating that "the competitiveness of the sectors concerned with regard to international competition shall be taken into account."

Though the Commission would be the judge in these cases, the proposed rules state that it would seek testimony from the parties concerned, from interested third parties and from anthorities of member states. It would also seek a noobinding opinion from an advisory committee on concentrations, to be made up of two officials from each

Britain's objections centered on the incompatibility of the proposed rules with the needs of business and the financial markets, particularly the time required to get a decision.

The basic idea is a good one, but you need something quicker, something that recognizes the realities of the mar-

ketplace," said Bob Blower, an official with the British Bankers' Association. Two months is a long time. The market can change a lot in two months, even one. What may seem like a good deal today may not seem so good to-

Companies launching stock market takeovers would be left in limbo -and at considerable risk - while Brussels was considering the case, say critics. Under the proposed rules, anyone attempting a takeover would not be able to exercise voting rights on the shares acquired until after approval was grant-ed from the Commission. A negative decision could prove disastrous for in-

Also complicating matters for inves-tors and takeover players, the critics say, is the uncertainty of how the EC's rules and timetable would mesh with Britain's own process for controlling anti-competitive mergers.

Currently, large mergers involving a British company must be cleared by the Office of Fair Trading. The office, which normally rules within a month, can then recommend to the Department of Trade and Industry that the case be sent on to the Monopolies Commission, which can then take another three to six months to ultimately rule. The debate over EC merger regulations also involves a power struggle between member states and Brussels.

"The biggest problem is bow to set up something sensible and practical without relegating all the power and responsibility to Brussels," said Mr. Thompson of Morgan Grenfell.

France, though not complaining di-rectly, is also leary of the proposed regulations, according to Alain de Sechelles, a Paris attorney.

"What we fear is that the floor will be too low and prevent French companies from merging to obtain European stature, while in Germany this has already been achieved," Mr. de Sechelles said, On the other hand, he said the poorer

countries in the community — Italy, Spain, Greece and Portugal—welcome the low floors in the EC regulations because "that way those countries don't have to spend money controlling these deals themselves. They can just let the EC perform that function for them."

JACQUES NEHER, a journalist based in Paris, is a regular contributor to the International Herald Tribune.

September 2, 1988

Low Dollar Helps Europeans in U.S.

ers and acquisitions have risen sharply throughout the Westem world in the last year. And although most of the activity, in numbers of transactions and value, is still concentrated in the United States, Britain and France are making strides of

In the first half of this year, the oumber of acquisitions involving a U.S. company rose 12 percent, to 1,031, over the same period of 1987, according to W.T. Grimm & Co., a Chicago-based consultant. The value of these deals soared 42 percent in the period, to \$129.4 billion.

The increase could be traced to the greater oumber of very large acquisi-tions. There were 195 deals valued over \$100 million, 29 more than in the year-earlier period. Transactions of \$1 bilion or more rose to 30 from 17.

Prompted by a relatively low dollar, foreign companies thring the period increased their acquisitions in the Unitincreased their acquisitions in the Uni-ed States by 53 percent, to 151. The value of these deals jumped 86 percent, to \$31.3 billion. Leading the way were Britain, with 49 acquisitions for \$7.2 billion; Canada, 24 for \$10.8 billion; Japan, 21 for \$4.1 billion; and France, 12 for \$2.4 billion.

W.T. Grimm counts as an acquisition any deal involving an American company in which at least 10 percent of another company's stock is being pur-chased or in which the purchase price is likely to be at least \$10 million. Since purchase prices are not revealed in many cases, the total values calculated often cover a smaller oumber of trans-

M&A activity involving British com-panies is also skyrocketing. In the first nine months of 1988, the magazine Acquisitions Monthly counted 283 pur-chases by British companies in the United States worth \$18 billion. In 1987, there were only 134 such pur-chases, totaling \$1.25 billion.

Deals by British companies in Europe through September rose to 168 and were worth £1.63 billion (\$2.87 billion). In 1987, according to the magazine, there were 95 such acquisitions, totaling £683 million.

In France, acquisitions in the first half jumped 53 percent, to 658, according to PF Publications, a Paris-based company that tracks deals through its ties to French banks. Of these, there were 30 takeovers launched on the stock market, compared to five in the first half of 1987.

In all of 1987, 915 deals involving French companies were valued at 165.8 billion francs (\$27.6 billion), almost triple the 1986 figure of 61.08 billion francs, according to PF Publications.

A study focusing on transactions in

volving smaller companies in Europe indicates that transnational deals within the continent last year increased faster than transactions involving a Euro-

pean and overseas party.
The study, by ALW/M&A International-France, a Paris-based mergers consultant, showed that transborder deals involving at least one European

Foreigners have increased acquisitions in the U.S. by 53 percent. The value of these deals amounted to \$31.3 billion.

grew 23 percent over 1986, to 1,461. However, deals in which both parties were European increased 39 percent, to 731.

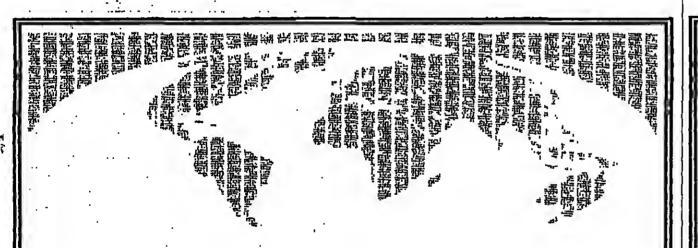
Though smaller in absolute oumber, Scandinavian, Italian and Dutch com-panies tallied the biggest percentage increases in cross-border acquisitions in Europe in 1987.

According to the study, transborder acquisitions by companies based in Norway, Sweden and Finland grew 93 percent, to 81; Italian companies' foreign acquisitions grew 63 percent, to 70; and purchases by firms based in the Netherlands rose 45 percent, to 126,

The survey, based on newspaper re-ports of deals involving a shift of majority control, indicates that in 1987, the countries making the most transnational acquisitions were Britain, 427; France, 194; United States and Canada, 167 (only with European sellers); West Germany, 137: Netherlands, 126; and Switzerland and Austria, together,

The countries in which the most companies were acquired by foreign firms, according to the study, were the United States and Canada, 417 (only from European buyers); West Germany. 269; France, 178; and Britain, 138,

Jacques Neher



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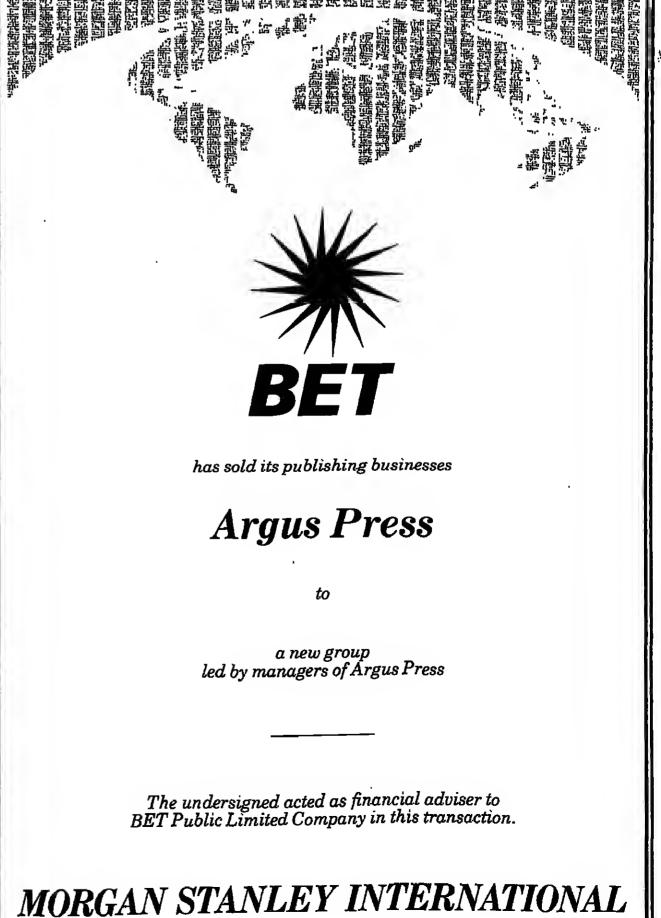
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Pandel, Inc.

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The undersigned acted as financial advisor to Ausimont N.V. in this transaction.

MORGAN STANLEY INTERNATIONAL



In Merger Scramble, Companies Redraw Corporate Map of Europe

By Marybeth Nibley

ONDON - The corporate map of Europe is being redrawn. Companies vying for power have embarked on a mergers and acquisitions campaign so forceful that it is sweeping aside boundaries in what could become a significant peacetime

realignment of Europe.

Momentum behind the campaign has gathered as businesses make strategic decisions in preparation for 1992, the year in which the European Community intends to lift the last barriers to trade among its 12 member countries. The result will be a single, unified area of more than 300 million cons

Creation of such a market, similar in scale to the United States, will present commercial opportunities. For obvious reasons, companies that already have a presence across the contineat will be in a better position to take advantage of the opportunities.

But others that until recently have failed to cultivate business outside their home country are struggling for a toehold. Many of these now are in the process of identifying suitable acquisitions, seeking compatible merger partners or forging links with foreign competitors.

While the 1992 deadline has served to focus the attention of European companies on inter-national expansion, other factors also have motivated their thinking, said Guy Harington, director in charge of corporate finance at J.
Henry Schroder Wagg & Company.

"Some of the M&A activity is being driven

by forces besides 1992," he said. Among these factors are demographic changes taking place throughout Europe, which will require marketing approaches geared toward an older population; deregulation within countries, which in some cases may alter traditional ways of doing business, and a other's equity. The cross-border shareholding is an example of the type of practice becoming

continual breakdown of the welfare state, which has increased the control exerted by markets rather than governments.

Perhaps the most potent force for the takeover boom was the stock market crash a year ago. To the acquisition-minded, it was a dream come true because it turned targets into bar-

"What we're seeing is part of a process that will result in a consolidation within many in-dustries throughout Europe," said Michael Hutchinson, corporate finance director at the London office of Yamaichi International (Eu-

He added that he believes there is a strong trend "towards some quite dramatic consolida-

The effects will be more pronounced in some industries than in others, noted Christopher Moore, director of mergers and acquisitions at

Robert Fleming & Company.

For instance, in manufacturing, where big companies traditionally have sought economies of scale by establishing international op-erations, the impact will not be as strong as in the services sector, Mr. Moore said.

Banking has been a fertile field for takeovers and alliances. Banking analysts say a growing number of small to mid-sized European banks are forming alliances with friendly institutions in a bid to ward off unwanted suitors.

Any banks that do not gird their defenses are vulnerable to attack by major banking groups eager to break into the retail and corporate banking market in the European Community. And big American and Japanese banks are expected to step up the battle for European

An alliance announced in October between the Royal Bank of Scotland PLC and Spain's Banco Santander involved the exchange be-tween the two banks of 2.5 percent of each more common as regional banks attempt to maintain their independence while bolstering themselves for stiffer competition.

Elsewhere in the services sector, similar techniques are being applied.

In transactions concerning businesses that rely on creativity and the preservation of good employee morale, companies establishing European networks frequently have opted to set up joint ventures and alliances based on minority shareholdings instead of trying to take leading Paris financial newspaper. The con-tinuing development of commercial television and radio is expected to touch off skirmishes for Europe's airwaves.

The wave of takeovers, alliances and joint ventures in Europe has carried in firms from outside the EC. Companies from Australia, Japan, the United States and the European countries that are not members of the EC have

been staking claims in the community.

For those accustomed to M&A practices in

Momentum behind the campaign has gathered as businesses make strategic decisions in preparation for 1992.

100 percent control of another firm. The advertising industry in particular offers many examples of such arrangements in Europe.

Among the services industries undergoing transformation due to the M&A binge, the food and beverage business stands out. Some of the biggest European takeover deals have occurred in this area, such as the acquisition of Britain's Rowntree PLC for about \$4 billion by Nestle S.A. of Switzerland. Brand names of foods and drinks easily recognized throughout Europe have been involved in numerous take-

overs and attempted ones.

Media and publishing also have figured in the takeover trend. Pearson PLC, the publisher of the Financial Times, came under pressure from the media magnate Rupert Murdoch, for instance. Meanwhile, Pearson augmented its European presence by buying Les Echos, a the United States or Britain, the experience in Europe has proved educational and sometimes

In contrast with the United States and Britain, where corporate takeovers frequently inwolve hostilities, European deals more often have been friendly, observed Anthony Parry, director of the European mergers and acquisi-tions department at Hambros Bank Ltd.

A key characteristic that differentiates continental Europe from Britain and the United States is the comparatively small number of publicly held companies listed on stock ex-

There are more quoted companies in Britain than on all other European stock exchanges combined, Mr. Parry pointed out. Even in only about 550 of the country's 2,500 public companies are quoted and less than half of those are traded actively. The rest of West Germany's companies, including many large groups, are held privately, often by families or affiliated firms and banks.

The story is true to differing extents elsewhere in the EC. It has been estimated that 70 percent of all the deals going on since the takeover tide rose in Europe involve uncontested bids between private companies valued at

the equivalent of \$100 million or less Determining how much pure M&A activity really is occurring in Europe requires careful analysis. Research by Credit Suisse First Bos-ton indicates that there is far less of it than generally assumed.

According to the firm's analysis, most of the recent speciacular takeovers involved at least one company, usually American, from outside the European Community. Most of the rest of the true mergers or acquisitions have involved British, not European, companies on one side.

As for intra-Europe transactions, most of them come under the headings of joint ventures or alliances and have typically been undertaken for defensive purposes. Such link-ups

will prolong the cartel atmosphere that has prevailed in Europe, the firm contends. Analysis by others using less precise defini-tions of what constitutes a merger has led to the description "Europe Inc." for the phenomenon of European companies banding togeth-er. One business consultancy found that more than 80 percent of West European chief execu-

tives planned cross-border mergers.
Financiers who specialize in handling mergers and acquisitions say most activity in Europe will be concentrated among private com-panies largely because they are the dominant forces in European economies. Also, many of these companies were launched after World War II and have reached the stage at which management succession has become a concern.

Reasons for the selling and buying of companies may be unique to individual countries.
Capital gains tax changes scheduled to take effect in West Germany, for example, may encourage owners to unload holdings sooner rather than later under less favorable tax con-

Arranging deals involving private target companies can pose problems because normally there is less information with which to work. In addition, corporate customs can hinder predators as effectively as any of the poison pills or shark repellents used in the United

For example, labor and banking interests represented on supervisory boards of German corporations provide a formidable takeover deterrent as does the loyalty that board mem-

bers of Dutch companies have been known to show toward existing management. Complying with local takeover laws, legal procedures and tax and accounting rules compound the difficulties, said Trevor Swete, managing director at Drexel Burnham Lambert International, adding that a diplomat's skills are needed to address the cultural differences. All the peculiarities of the European scene

are generating more work for the M&A specialists. Many London-based merchant banks have expanded their M&A divisions with the aim of attracting clients engaged in the corporate scramble to acquire, divest or refocus

Colm Keer, a managing director of Bankers Trust Company and head of its London M&A operation, said the City of London has become the stronghold of Europe's M&A expertise. "As a profession, it's absolutely centered in London because it's regarded as an Anglo-Saxon art," Mr. Keer said.

MARYBETH NIBLEY is a financial journal-

Moves by Spanish Banks Underline Strategic Dangers

By Fiammetta Rocco

ADRID - Take a country with a booming economy, a low inflaof pens-up demand that can sud-denly be satisfied after years of doing without, and what emerges is a fairly accurate thumb-nal sketch of Spain today, where an expected 5 percent to 6 percent economic growth in 1988 will again top analysts' predictions and outpace growth rates in every other European

Give that economy, with a population of 39 million behind it, an entree into the European Community. With the impending removal of the community's frontiers, which will allow the free movement of goods and capital, it becomes clear why the mergers and acquisitions business in Spain is a booming growth indus-

Spanish companies are frantically rearranging their corporate strategies in preparation for the day when they will have to sell to a free market of 300 million and defend themselves

from other, expansionary Europeans who will be doing the same after 1992.

Hardly a day passes in Madrid without the announcement of another corporate acquisi-tion. These include Spanish banks buying smaller banks; French publishing houses and Swiss food companies anapping up Spanish manufacturers; Elf-Aquitaine and British Petroleum buying land to build gas stations throughout the country, and the giant Kuwait Investment Office gobbling everything that

The craze for corporate acquisitions has reached such proportions that the Spanish economy now enjoys the third largest inflow of direct investment capital in the world, after the United States and Japan.

The logic behind these expansions makes perfect sense, in theory. Without sufficient critical mass, small or medium-sized Spanish companies will be unable to take advantage of economies of scale and survive profitably in the new world of pan-Enropean competition. However, implementing this strategy will be far from easy, and it is likely that the route to

1992 in Spain will be littered with corporations that got it wrong

Nowhere are the dangers and differing viewpoints clearer than in the banking sector, where a series of giant mergers and acquisitions earlier this year made newspaper headlines for weeks on end.

The government gave full marks to the merger announced in January between Banco de Bilbao and its Basque neighbor, Banco de Vizcaya. It was even happier at the later, and larger, merger of Banco Español de Credito (Banesto) and Banco Central, now renamed Banco Español Central de Credito, or BECC.

INANCE MINISTER Carlos Solchaga and Mariano Rubio, governor of the Bank of Spain, had long been chivying Spain's leading banks to consider merging with their rivals. Prime Minister Felipe González described the BECC marriage as "probably the economic event of

With assets of 5.5 trillion pesetas (\$50 billion), 4,200 branches, 35,000 employees and a 25 percent share of the domestic market,

ernment believes, to take on virtually anyone in Europe. The post-merger BECC is Europe's 30th largest bank, while the smaller Banco Bilbao-Vizcaya is 37th.

Yet many are convinced that the merging banks have made a serious error in combin entities that are similar rather than comple mentary, and that it will eventually cost them dearly in terms of a blurred corporate culture,

lost market share and dwindling earnings.

The argument is that the case for larger units is far from proven, and that although a larger market share — especially in the high-margin retail business — holds obvious attractions, the additional problems of merging could far outweigh the theoretical advantages of potential economies of scale,

"What matters is efficiency and profitability, not size, and I can see no hard evidence that' e mergers will necessarily produce more efficient banks," said a senior economist at Banco Atlantico, a subsidiary of the Bahraini Arab Banking Corp. and one of the most efficient smaller Spanish banks. Banesto and Banco Central, contend opponents of the merger, will have to shut a lot of branches to avoid an unnecessary and unprof-itable fight for the same Spanish retail peseta. In doing so, their market share may well slip. There are many small Spanish towns in which Banco Central and Banesto are the only two bank branches open for business. Closure of one may well tempt another bank to expand into the same town.

The strongest criticism of the BECC merger is that it was a panic move by the two boards when rumors began surfacing in Madrid that they were being stalked by large overseas banks in search of Spanish retail business. The criticism is not without justification. When the merger was first announced, the greatest advantage stressed by the new board was the size of the new bank, not where it was going.

That is a far cry from the well-articulated strategy of some of Spain's smaller banks that have been carefully forging links with efficient banks elsewhere in Europe.

Good examples are Banco Hispano Americano's tie-ups with Commerzbank, Crédit Lyonnais and Banco di Roma, and Banco San-



Mario Conde, deputy chairman of BECC. Europe's 30th largest bank. tander's recent stock swap with Royal Bank of

FIAMMETTA ROCCO is a contributing editor to Institutional Investor.

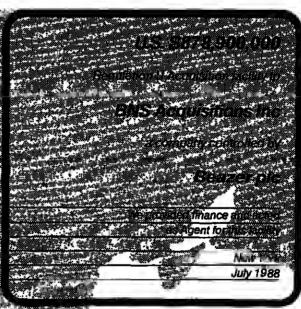
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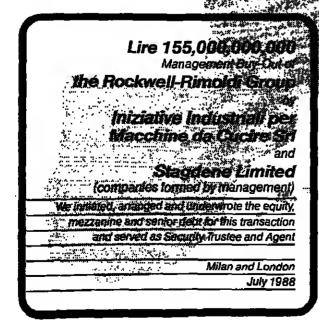


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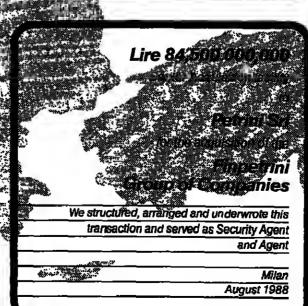


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EC Challenge ■ Internationalization

Competition Brings Rethinking of Global Strategies in Germany

By Edward Roby

RANKFURT — Daimler-Benz AG.

Already West Germany's largest industrial company after three major acquisitions in the mid-1980s, now seems poised to swallow a decisive stake in the country's largest acrospace and armaments concern, Messerschmitt-Bolkow-Blohm Gmbh

Two large regional central institutions in the savings bank sector are about to enter negotia-tious toward a 1990 merger that would create West: Germany's second largest bank, with total assets of around \$130 billion.

And the No.1-ranked Deutsche Bank AG, which has already collected an impressive sta-ble of industrial holdings, including a 28.1 percent stake in Daimler, has developed an emergency plan to pump equity capital into Duisburg's venerable Klouckner trading company after the giant firm was rocked by losses of 600 million or 700 million Deutsche marks (\$353 million or \$412 million) from oil specula-

The names of all these businesses are household words in West Germany, and their activi-ties regularly make headlines because they so profoundly influence the country's economy. The Daimler chairman, Edward Renter, commented in a mid-October television interview, for example, that his company alone - after its acquisitions three years ago of the Domier GmbH aerospace group, MTU Motoren-und Turbinen-Union GmbH and the AEG AG electrical concern - generates 4 percent of

West Germany's gross national product.
Little wonder that Wolfgang Kartte, president of the West German Cartel Office, issued a preemptive warning against the Daimler-MBB combination. Critics argue that it could lead to an uncontrollable military-industrial colossus. And some profess to have seen all this happen before — under National Socialism.

Mergers and acquisitions on such a grand

scale have become routine in the United States and some other foreign countries. But they still make the Germans nervous, partly because the raditional backbone of the country's economy family-owned businesses.

The increasingly international engagement of industry, and particularly the competitive challenge posed by the approach of the integra-tion of the European Community market at the end of 1992, is slowly forcing business and political leaders to think in global terms.

Thus, mergers like those of Westdeutsche Landesbank Girorentrale (West LB) with Hessische Landesbank Girozentrale (Helaba) in the savings bank sector and Daimler-Benz with MBB in industry are being encouraged by

."We are in a massive international competi-

tion," said Mr. Renter. "The international

competition demands a certain size."

Big as it is, Daimler Benz is still only a third the size of General Motors. Indeed, only 52 West German companies made the Fortune list of billionaires in dollar turnover in 1986, compared with 297 U.S. businesses, 151 Japanese and 72 British

EC authorities in Brussels who have drafted plans for a centralized cartel agency now seem to be promoting further concentration in some fields. Mr. Kartte has complained that the EC proposal appears so vague that it could turn into a "fig leaf for a spongy European industri-al policy." That might foster social engineering dernes at the expense of healthy competition in a free market.

Cartel office statistics show that after a period of stagnation in the 1970s, a wave of mergers and acquisitions with significant impact on market control took off sharply in 1983 and has been rising relentlessly ever since. Last year alone, the antitrust agency dealt with a record 887 such major combinations.

FPARATE FIGURES from corporate acquisitions specialists and merger consultants suggest that the number of business fusions overall could be more than twice as high when small businesses and those with less than a 20 percent share of their market are included.

A key issue is whether such industrial conentration could reach a point that it might damage the market economy, hurt the consumer and threaten the survival of small and medium-sized businesses. Industriekreditbank AG-Deutsche Industriebank (IKB) of Düsseldorf and Berlin, which finances mid-sized, family-owned businesses, examined the issue in a thorough study released at its annual press

conference in September. In general, said Siegfried C. Cassier, a general manager of the bank, the study was unable to detect a threat to the economy through concentration. While concentration in some branches such as food retailing, where the top 10 companies have captured a market share of 55 percent or more in recent years, has become an issue, the opposite trend is at work in other important sectors.

One reason for this is that the number of new businesses being formed, especially in the fast-growing services sector, soared in the period from 1978 to 1984, well outdistancing the number of business liquidations. Another factor is that established companies are continually divesting and spinning off certain of their businesses, even as their occasional acquisitions are making news.

It is significant that many of the most spec-tacular acquisitions of West German multinationals in the past few years have involved the purchase of foreign companies, particularly in the United States and the EC partner countries



Workers at a Mercedes-Benz factory in Stuttgart.

of France, Italy and Britain. A large number of these have come in the chemicals, automotive and electro-technical branches where there are strong international links.

Prominent examples are Siemens AG's purchase of Bendix Electronics, Hoechst AG's acquisition of Celanese and the takeover of Spain's Fiat by Volkswagen Werk AG. West erman banks and insurers have also been on a buying spree in Europe, and produce retailers and traders have lately been getting into the

Direct U.S., British and French investment in German industry is nothing new. But statistics furnished by Wupper & Partner, merger and acquisition consultants in Hamburg, show that the Swiss and Swedes are now buying in search of EC bases.

IKB cited Monopoly Commission statistics showing that the weight of the 100 biggest German companies in the economy actually dipped slightly between 1978 and 1986 and that their participation in mergers and takeovers at home has remained static or decreased. While concentration increased in the automotive, printing, textile and precision mechanics branches, it decreased in steel, machinery, chemicals and electronics between 1977

"The figures, moreover, show that the lead-

ers among the major German companies have in nn way been able to extend their positions,"

West Germany's list of top 100 companies includes few businesses engaged in services, which is the sector that generated disproportionally high growth in the first half of the 1980s. In nn nther sector are so many overwhelmingly small and medium-sized compa-

About half of all new businesses starting up are in services. About 200,000 firms have shared the field since 1980, and 95 percent have a turnover of less than I million Deutsche marks a year.

IKB found that concentration is rising among small- and mid-sized businesses and in those branches where the level of concentration had been relatively low.

In general, it found that merger activity was strongest in growth branches and businesses with intensive research requirements. The study also revealed that competition between corporate dwarfs and giants in the same market was rare and that leeway for mid-sized companies was expanding in many fields.

EDWARD ROBY is the English-language edi-tor of Vereingigte Wirtschaftsdienste GmbH, an economics news agency based in Frankfurt.

Japan Looks to U.S. In Bid to Gain Skills

Continued from page I

mergers resulting from the European Commu-

nity's unification of its market in 1992. Asia trails third as an M&A target for the Japanese. There were only 43 Japanese mergers and acquisitions in Asia last year, including the purchase by Ajinomoto, a food company, of the Asia division of America's CPC International for 50 billion yen (\$400 million). In the first nine months of this year, there were just 31 Asian mergers and acquisitions by Japanese

Japanese manufacturing firms still prefer direct investment in the region. Mostly, they are after lower production costs which are best achieved by a greenfield start-up, or sales net-works. There is little Asian technology that Japanese firms want to acquire.

The growth of Japanese service industries in the newly industrializing economies of Hong Knng, Singapore, South Korea and Taiwanmay nifer better prospects, financial analysts suggest. Retailers in particular may be forced to acquire assets, such as store sites in prime

locations, through mergers and acquisitions.

However, only the Hong Kong and Singapore stock markets are open to foreign investors. There are limits on direct foreign participation in the Seoul and Taipei markets.

Japan's banks and securities houses are encouraging this latest boom of mergers and acquisitions because they see it as an opportu-

officials at Sanwa Bank say they expect
Japanese mergers and acquisitions to double in
value and volume over the next three years. Sanwa Bank, along with Mitsubishi Bank, is considered a leader among the commercial banks in a business that has been dominated by the securities companies or investment banks such as Industrial Bank of Japan.

HE WEAKNESS of the new Japanese M&A teams, the bankers admit, is sporting potential targets. Nnt that they are nnt spoilt for choice. All Japanese M&A specialists have U.S. and European investment bankers lining up outside their doors with possible targets. The top foreign investment banks in Tokyn, such as First ostno and Morgan Stanley, keep full-time M&A teams in their local offices.

So, 100, do some Japanese corporations. The Mitsubishi trading house is just one that has set up an in-house M&A department in the past year or so.

This is a further sign of bow mergers and acquisitions is regaining acceptability among Japanese businessmen. Another is that banks with high reputations in mergers and acquisitions are winning business from outside their own industrial groups, something that was un-imaginable in the past. Mitsubishi Bank, for example, is now extending its list of M&A clients beyond just the Mitsubishi group.

The banks are also finding that they can start to charge fees for mergers and acquisitions work. Until recently, bankers say, Japanese corporations expected M&A services to

tionship. The only way a Japanese bank could get a fee out of a deal was to use a foreign partner, which would charge the fee and then

split it with the Japanese bank. Japan's M&A teams are searching out deals at home as much as they are abroad. But the more aggressive attitude that Japanese businessmen are taking to mergers and acquisitions abroad is not yet being reflected in their mergers and acquisitions at home. The buying and selling of companies in Japan remains a con-

Japan has its own versions of arbitrageurs and greenmailers, but they are not liked by the business community as a whole. There has been quiet satisfaction that three of the most notorious greenmailers have gone bust this

The present takeover boom does not extend

The U.S. has the skills, products, technologies, markets and distribution networks that the Japanese want.

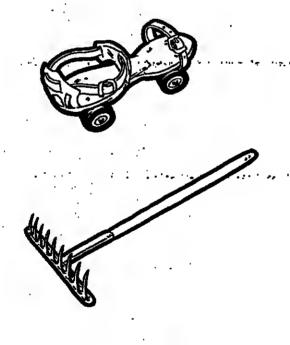
much to foreigners wanting to buy Japanese companies. Merck, an American ehemicals firm which has managed to make a couple of small friendly acquisitions, is the exception rather than the rule.

Most M&A specialists reckon a hostile fnreign takeover of a Japanese company is out of the question. In 1985, an attempted bostile takeover of Mineba Holdings, a ball-bearing company with a reputation for foreign takeovers itself, by a group of American investors was blocked by the Japanese business establishment closing ranks against the outsiders.

Apart from the cultural barriers, a foreign predator would have to disentangle a daunting web of corporate crossholdings through which many Japanese companies are controlled. They would also find it difficult to justify the ential return on their investment given Japan's high price-earnings ratios of Japanese companies shares.

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Stock Watch

Nordic Firms Strengthening European Base

By Michael Metcalfe

OPENHAGEN — As a tide of mergers, crossshareholdings and outright acquisitions sweeps the global corporate shoreline, Nordic companies are adopting strategies to ensure that they

are not swamped.

Spurred by the competition within the European corporate sector as players jockey into position at the state of the s tion at the start of the race toward European Community market in-tegration in 1992, Nordic concerns are forming strategic cross-border alliances of their own.

The pattern emerging from the acquisitive business strategies of firms in Sweden, Norway, Finland and Denmark appears to be a con-certed thrust into Europe, with other areas of the world ranked as less pressing in immediate terms.
The reasons for this are twofold.

First, the larger companies, such as Sweden's Volvo, ASEA Brown Boveri, Electrolux and Ericsson, Norway's Norsk Data, Finland's Nokia and Denmark's Superios, have already established a sound footing in markets such as North America, Latin America and the

Secondly, the dismantling of trade and finance barriers within the EC has accelerated the need to build up a more formidable presence in Western Europe.

Like others in the Nordic area, Nokia has been investing substantially in the EC area," said Kari Kairamo, president of Finland's Nokia AB, recently.

Nokia - best known as a maker of mobile telecommunications equipment — became one of the

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Europe when it acquired the data systems business of Swedeo's Ericsson in January this year. The unit was merged with Nokia's existing data-processing operations to form Nokia Data, a subsidiary with annual sales of \$1.25 billion and a work force of 8,000.

The major Swedish conglomerates have also been in the forefront of those seizing the opportunity to expand their European presence through mergers and acquisitions. In the 1970s and early 1980s, Volvo led the way in plans for cross-border cooperation and mergers. Though its plans to merge with Saab-Scania, Sweden's

conglomerate Beijerinvest made it an international force. In the mid-1980s, it was the Electrolux household appliances group's turn to grab the headlines with a stream of acquisitions, including Zanussi in Italy and White Consolidated of the United States, making it the world's largest

other motor giant, came to nothing, its fusion with the financial

white-goods producer. Electrolux bought Zanussi in 1984, followed by the purchase of White Consolidated io 1986. These and other acquisitious belped to almost double group sales in the last four years. Sales grew 27 percent in 1987 alone to 67.4 billion Swedish kronor (\$11.2

The acquisitions have also changed the geographical distribution of sales. Previously, the company's operations were centered on Scandinavia and some other northern European countries. Today, 36 percent of sales go to the EC, 26 percent to European Free



ASEA's robotics center in Vasteras, Sweden, the Western world's largest robot assembly plant, now part of ABB, following the ASEA merger with Brown Boveri.

Trade Area countries and 31 per-cent to North America. lo 1987, it was ASEA's turn.

The merger with Switzerland's Brown, Boveri & Co. transformed the concern into the world's largest electrical engineering group, its annual turnover of some \$18.1 billion outstripping that of other sec-tor giants, such as West Germany's Siemens, Japan's Hitachi and General Electric and Westinghouse of the United States. Other Nordic companies have

been quick to follow suit. The Norwegian metals group Elkem recently raised its holding position in the EC's aluminum industry. Elkem supplies about 85 percent of its annual aluminum production to the EC market.

Sweden's Svenska Cellulosa strengthened its position in the hygiene products sector by acquiring the leading French disposable diaper-maker, Peaudouce. The acquisition complements and reinforces the activities of its subsidiary Mölnlycke, the European market leader in hygiene products.

However, many of the comp nies, banks, insurers and other financial groups - particularly in Sweden and Norway and to a lesser extent Denmark and Finland are finding the scope of their expansion severely restricted by leg-islation that either limits foreign holdings in the respective Nordic countries or curbs sectoral business activities.

This is hampering chances for creating larger pan-Northic alliances encompassing wider diversification in the business and financial sectors to take on the

European heavyweights.
This was highlighted recently when Swedish regulatory authorities dealt a blow to plans by Swedeo's fourth-largest hanking group, Gota, to link forces with

Finland's leading commercial bank, Kansallis-Osake-Pankki,

The proposed Gota/KOP part-nership entailed a degree of crossownership through a new joint

holding company.
Though the creation of a holding company does not require gov-erument permission, part of the complex transaction involved Gota taking over KOP's Stock-holm subsidiary to augment its re-

vanguard of cross-border alliances in the Nordic financial arena. There have been setbacks, how ever. Foreign participation in Norwegian financial service companies remains restricted to 15 plans by Sweden's largest insurance group, Skandia, to acquire a 25 percent holding in Vesta, Nor-

way's second largest insurer. Despite this, Skandia is also gearing up its cross-shareholding

Many financial groups find the scope for expansion restricted by legislation limiting foreign holdings.

tail branch network. Such a move requires Finance Ministry approval, and Sweden's Riksbank, the ceotral bank, recommended

against the move.
While the Swedish authorities are committed to liberalization in the financial and corporate spheres, the slow pace has sparked criticism by Swedish bankers and industrialists, who feel that the authorities are falling far behind in the race to full market integration within the EC by 1992.

Regulations still bar foreignowned banking houses and other financial institutions from taking stakes in Swedish banks, but no such restrictions apply to insurance companies. This, in part, explains why Swedish and, to a lesser extent, other Nordic insurers rather than banks - are in the

links with other insurers in the Nordic area as a prelude to creation of a pan-Nordic financial grouping with sights on expansion into mainland Europe,

Skandia International, a Skandia offshoot constituted independently since 1985 to deal mainly in reinsurance, has established a bridgehead in Europe by acquir-ing a 50 percent stake in Danish insurers Kgl Brand (Royal Chartered), laying the groundwork for a further drive into other insurance-related areas, such as pensions and savings.

MICHAEL METCALFE, a jour-

Smaller Companies Join Italy's Takeover Boom

By Dalbert Hallenstein

OME - Italy's takeover boom continues, though it has become less strident over the past year. In 1986-87, the mergers and acquisitions market was dominated by the frenzied activity of such giants as the Feruzzi and De Benedetti Groups still plush with cash creamed off during the Milan stock market boom of 1985-86.

Over the past 12 months, although the stars have continued to buy and sell, the market has become more discreet as smaller companies elbow their way in to strengthen their position before the onslaught of foreign competition predicted after the European Community establishes a single internal market in

A major characteristic of this year's activity has been the virtual irrelevance of the Italian stock market as an instrument for either financing or mounting mestic takeovers.

According to Nomisma, a Bologna-based economic research center founded by Romano Prodi, presi dent of IRI, Italy's huge state holding, fewer than 5 percent of mergers and acquisitions were effected through the Milan bourse.

This was not basically due to the relative inactivity of the Milan stock exchange over the past year, but, according to Giovanni Tamburi, vice president of Enromobiliari, to "basic structural defects," Euromobiliari is one of Italy's leading takeover intermedi-

"The Italian Stock Exchange simply does not work," he said. "It is smaller even than Finland's and it is under the control of a tiny group of operators like De Benedetti, Gardini, Firelli and Agnelli. For most mergers and acquisitions, it is irrelevant and nonexis-

According to Nomisma, which since 1983 has maintained a data bank on Italian acquisitions, 75 percent of the companies taken over in Italy have fewer than 500 employees and 83 percent have an annual turnover of less than 100 billion lire (about \$74 million). Most of the companies acquired are, therefore, of medium size; 43 percent have between 100 and 500 employees.

Many of the buyers are large — 52 percent have more than 1,000 employees — but there is also a significant number of medium-sized companies with between 100 and 1,000 employees and a turnover from 100 billion lire to 500 billion lire.

Buyers, both large and small, almost exclusively merge with or acquire companies in the same or related sectors. "The motives, or rather the excuse for the acquisi-

tions," said Mr. Tamburi, "is 1992. Nobody wants to be a loser at this appointment and, because the firms are all healthy and full of money, with no problems of products or markets, they buy and buy, aiming at impetitors, suppliers, clients The fundamental motive is therefore strategic,

simed at strengthening themselves in their own mar-kets or to enter other promising markets. The investments are real and not based on financial strategies Nomisma notes that, between 1983 and 1987, 24.5 percent of Italian takeovers were made by non-Italian companies, while almost the same percentage

-23 percent - of all Italian acquisitions were made abroad. The United States represents the largest group of foreign buyers of Italian companies, with 31.6 percent; followed by France, 14 percent; Brit-

ain, 9.2 percent; West Germany, 8.8 percent; Switzerland, 8 percent; Sweden, 7.2 percent, and the Netherlands, 5.6 percent.

The sectors most favored by both foreign and Italian buyers were food, consumer goods, chemicals, mechanical engineering insurance, banking and re-lated services. Italian banks have been particularly active recently in order to prepare for the foreign competition expected after 1992.

But restructuring is racing ahead in most other industrial sectors for the same reason. According to a recent Booz-Allen & Hamilton survey, in the heavy eering sector, Fiat Finmeccanica, EFIM and ABB are currently in a complex exchange of industri-al activities aimed at achieving critical mass in each

Foreign groups have tried to exploit this process toward improved Italian industrial efficiency by such major maneuvers as the acquisition of 47 percent of Gucci by Saudi Arabia's Investicorp, the acquisition of 80 percent of Wax & Vitale by Guiness and the attempted takeover by Kraft of Parmalat. Among the acquisitions made in Italy between

May and August were:

The acquisition of a 30 percent interest by the Spanish bank, Banco Santander, of the Istituto Ban-

 A 13 trillion lire merger by the Bologna Savings Bank with the Florence Savings Bank. • The acquisition for 969 billion line by Finivest

(the Berlusconi Group) of the Standa retailing net work from the Feruzzi (Montedison) Group. • The acquisition by the Italian "Management" Group of Rimoldi (Rockwell) sewing machines for

133 billion lire. • The acquisition by the Swedish Svenska paper group of Italcarta, which produces paper and corru-

gated board, for 120 billion lire. The acquisition by the Swiss Winterthur insur-ance group of the Italian insurance company, Inter-continentale, for 500 billion fire.

One of the most significant foreign takeovers in the past 12 months was the sale of Buitoni, which produces such products as processed food, by the De Benedetti Group to Nestle for 1.8 trillion lire. This operation took place in the context of De Benedetti's massive Belgium-based mergers and acquisitions.

Italy has agreed to free capital flows by 1992, beginning the process by 1990. At present, the regulations for foreign or Italian buyers of Italian-based companies are almost nonexistent. The market is virtually free.

However, new regulatory legislation is planned.
This includes the possibility of: Mandatory public offers for minority sharehold-

ers who intend to increase their ownership beyond 30 percent within 12 months. There will be no such requirement for shareholders with more than a 50 percent holding.

Antitrust regulations applying to all mergers and equisitions with an Italian market share of more

Tough insider trading rules involving heavy fines and imprisonment of up to one year for transgres-

DALBERT HALLENSTEIN is a Milan-based jour nalist who contributes to The Sunday Times of London.

Dutch May Ease Anti-Takeover Mechanisms

By Ronald van de Krol

MSTERDAM - After months of lively and heated debate, the Netherlands is close to answering a question that has dominated the country's capital market throughout 1988 - should Dutch companies be required to give

up some of their anti-takeover devices, making them potential targets for corporate raiders?

The debate began in the summer of 1987 when Elsevier NV, the Dutch publishing group, launched a surprise hostile bid for a fellow publisher, Kluwer NV, that sparked one of the few unfriendly takeover buttles were seen in the Netherlands. battles ever seen in the Netherlands.

Elsevier, faced with an array of anti-takeover mechanisms, lost the fight for Kluwer, which later merged with a "white knight," Wolters Samson Groep NV, to form the Netherlands second-largest

but the struggle was not entirely in vain, for it moved the question of takeover bids to the top of the Dutch financial agenda and spurred the Amsterdam Stock Exchange, a long-standing critic of the cocoons of protection that swathe many Dutch companies, to formulate proposals for limiting the amount of permissible partection.

proved controversial. They drew such opposition that the bourse was forced to retract its original plan to

issue detailed measures on July 1.

The main question now is whether the bourse will withdraw any of its proposals in the face of the opposition and, if so, which ones.

The plan is complex but boils down to this: companies should be allowed to have only one permanent auti-takeover mechanism in place and be permitted to resort to only one temporary anti-takeover device if faced with a bid. These measures would apply to newcomers to the bourse starting in 1989, while companies that are already listed on the exchange

would have until 1991 to comply.

In its report, the exchange said it had formulated the proposed new rules to create greater clarity about

what kinds of defenses are permissible.

"It is not for the stock exchange to concern itself with the merits of takeovers as such," it said.

Generally, companies defend themselves tooth and nail against hostile takeover bids. A favorite "temporary" defense against a bid is for the target company to make a large and hasty issue of preferred stock and place it in the hands of a foundation controlled by the

ordinary stock, which is the only class of stock that a bidder can effectively hope to win outright.

bidder can effectively hope to win outright.

Or large Dutch companies may choose to take the legal form of a structuarvennootschap, which concentrates power in the supervisory and management boards and strips shareholders of any concrete power to influence policy or board-level appointments.

Under the bourse proposals, companies would no longer be allowed to make an issue of preferred stock if this conversate proposals.

if this represents more than 50 percent of outstanding common stock and if shareholders have not given their express permission for the defensive move.

At the same time, the foundations with control of

the preferred stock may no longer describe their function as that of "maintaining the identity of the company"—a emphemism for rejecting any takeover attempt. Instead, they must serve "to promote the interests of the company and all those involved with it," meaning that shareholders and employees interests should be considered as well as management's.

In essence, the debate centers on the question of shareholder rights and whether the threat of an unfriendly takeover is a useful way of keeping manage-

The Dutch Shareholders' Association, an organiza-

well as of powerful Dutch institutional investors, is one of the few key groups to back the bourse.

"Takeover defenses should be used as a way of creating time to consider a bid," said Luc Burtage, the association's deputy secretary. "They shouldn't be used to ensure in advance that a bid will be doomed." However, apart from the shareholders' association and a handful of individual bankets and business-

men, the stock exchange has few public supporters in the debate. The country's two main employer organi-zations, as well as the Netherlands Trade Union Federation, have all come out firmly against the plan. "There is unprecedented unity between employers' groups and trade unions on this issue," said Evert

Elbertse, economic affairs secretary at the VNO, the largest of the two employer associations.

The VNO believes that limiting corporate defenses—and thereby increasing the likelihood of unfriendly takeover attempts in Dutch industry—will bring about few, if any, positive benefits for the economy.

RONALD VAN DE KROL is a journalist based in

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has sold

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ECONOMIC SCENE

Markets Quail at Thought Of Little Change by Bush

By LEONARD SILK New York Times Service

EW YORK - Considering how Wall Street had rooted for George Bush's election, its reaction to his victory was hardly celebratory. Stocks fell, bonds the woman in the New Yorker magazine cartoon discussing a friend's failing marriage: "She got what she wanted, but it wasn't what she expected."

It may be that Wall Street is just waking up to the realization that nothing much has changed: The Republicans control the White House, and the Democrats control Congress, only more so. The budget deficit is still there, and it is hard to see what Mr. Bush will do to bring it down.

There is a grim realization that the president-elect paint-ed himself into a corner on the deficit in every which way: by pledging not to raise taxes, by campaigning for a stronger national defense; by calling for new environmental, educational and other programs;

Until Mr. Bush shows he will deal with the deficit forthrightly, markets will be nervous.

by urging new tax cuts; by promising not to touch Social Security, and by expressing his lack ph interest in the bipartisan National Economic Commission, restablished by Congress to find a solution to the budget deficit. This week the dissension-riven commission postponed indefinitely its Dec. 21 deadline for proposing a budget-reducing plan.

Mr. Bush has lambasted the commission as a front for those

who want to raise taxes. . Other economic matters need Mr. Bush's early attention, such as the danger that the Canada-United States free-trade agreement, in which President Ronald Reagan sets great store, may be falling apart; the need to decide how to deal with Soviet trade in light of the extension of credits by West European countries to finance their expanding exports to Moscow; the savings and loan industry crisis and mounting concerns over the rapid buildup of private debt to finance leveraged buyouts.

But the cardinal debt problem Mr. Bush can no longer evade as build through the company is the beginning over of the

he did through the campaign is the boringly familiar one of the federal deficit and the mounting public debt, which was \$1 trillion eight years ago and is now approaching \$3 trillion.

14 | STORE 7810 | TNTIL THERE is clearer evidence that Mr. Bush means to deal with the budget deficit forthrightly, now and in the next four years, the markets will continue to be nervous and prone to suffer periodic sinking spells. The sooner Mr. Bush makes up his mind on how to attack the budget problem, the better it will be for everyone concerned and for the future of his own administration.

The markets, both in the United States and abroad, are anxious about the effect of continuing budget deficits on the U.S. trade and current-account deficits.

High U.S. interest rates discourage American investment in plant and equipment, weakening national growth, threatening living standards and spreading anxiety in the securities markets. And the persistent U.S. balance-of-payments deficit undermines confidence in the dollar.

Some of Mr. Bush's advisers, especially Martin S. Feldstein of Harvard University and a former chairman of the President's Council of Economic Advisers, have taken the position that there is oo point in trying to defend the value of the dollar; it should be allowed to fall, to remedy the trade deficit. Mr. Bush has to decide not only what his remedies are for eliminating the budget and trade deficits but also what his exchange-rate policy is going to

In fact, the three policies are tied together. In the absence of clear guidance from the newly elected president, the markets are

Currency Rates

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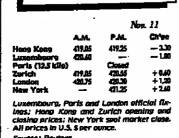
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Norway's Saga Rebuffs Elf Aquitaine's Advances

OSLO -- Ell' Aquitaine, France's state oil company, has offered to take over beleaguered Saga Petroleum A/S through its Norwegian

unit but Saga has refused, the company said Friday. Saga, Norway's biggest fully private oil company, said that it rejected the offer at a board meeting on Thursday. The offer, through Elf Aquitaine Norge A/S, had been made two days earlier.

The company said Elf, whose full name is Société Nationale Elf

Aquitaine, proposed holding the majority stake in any merger. Saga said it wanted to achieve its aims without such conditions. Elf. moving to expand its North Sea operations, agreed in April to pay the equivalent of \$579 million for RTZ Corp.'s oil and gas business Saga's profit has been falling sharply, and a senior official of the Petroleum Ministry said in August that Norway could no longer

afford to have three major oil companies.

The official, Knut Daehlin, suggested that Saga be merged with Norsk Hydro A/S, which is 51 percent state-owned. Hydro said it was not interested. The other company, fully state-owned, is Statoil.

On Wednesday, Saga forecast that profit for 1988, before extraordinary items, would fall below 150 million kroner (\$22.8 million), along items, would fall below 150 million kroner in 1987. The

drop of about two-thirds from 456 million krooer in 1987. The

ompany blamed lower oil prices and currency fluctuations.

Saga was formed in the 1970s as part of a government decision to base Norway's oil industry on three main companies. But this year, wrangling over Saga's planned development of the Snorre oil and gas fields has raised questions about the company's independent role.

GTE Sets

Increased

Job Cuts

14,000 Positions To Go by 1992

United Press Internati

NORWALK, Connecticut -

GTE Corp. has announced plans

for additional job cuts in its domes-

tic telephone operations, raising the total oumber of positions it expects to eliminate to 14,000 over

The announcement Thursday came one day after the corporation

disclosed plans to eliminate 7,000

management positions by 1992 in

an effort to streamline operations.
GTE stock was down 50 cents at \$43.875 on the New York Stock Exchange in trading on Friday.
The additional reductions would

occur as a result of changes unrelat-

ed to restructuring, including cost

cutting and the introduction of new

technologies, said a GTE spokes-woman, Varole Barns.

"It's really business-as-usual oc-curences," she said, "As you be-come more proficient and learn to

do things in better ways, you have

She said virtually all of the re-

ductions would come from the

ranks of the 28,000 employees in

staff and headquarters manage-

ment positions. Most of the addi-

tional cuts are expected to come in

The planned cutbacks were dis-

closed during a meeting with analysts at the GTE management de-

velopment center in Norwalk.
GTE, which has corporate head-quarters in Stamford, had an-nounced that restructuring of the telephone operations would cut the

size of the work force to a total of

about 78,000 by 1992, in part

through the offer of early retire-

ment incentives. It said earlier this

week that it expected as many as

2,000 employees to accept early re-

In March, GTE had announced

plans to streamline telephone oper-

ations to continue improving the

quality of service and to become faster, more flexible and responsive

GTE's streamlining plans in-

volves reducing its seven operating companies into four units and

shifting the telephone business

headquarters from Stamford to ei-ther California, Texas, Indiana or

GTE employs about 161,000

billing problems caused GTE to

report a \$121 million loss and Unit-

ed Telecommunications posted a

\$63 million loss from U.S. Sprint

operations in the first quarter of

last year. In the second quarter of 1987, U.S. Sprint took a charge of

\$350 million against earnings.

to customer requirements.

Florida.

Corp.

the early 1990s.

the next five years.

The Borrowing of Corporate America

By Sarah Bartlett
New York Times Service

NEW YORK - The recent wave of takeovers, leveraged buyouts and corporate restructurings has highlighted the growing importance of borrowed money to corporate

Academics and financial advisers say that there is nothing inherently wrong with fi-nancing a business with deht. In fact, they point out that Japanese and West German companies have long thrived with much higher levels of debt.

But there are differences in the way foreign companies use their borrowed money, and in the relationships they have with their lenders. In the U.S. context, companies that take on rignificantly more debt could face greater

In recent years, U.S. companies have shown an increasing willingness to carry higher levels of debt.

If RJR Nabisco Inc. becomes private in a leveraged buyout, for example, it will proba-hly take on \$17 billion in debt, a sharp increase from its current level of about \$5

And if Pillsbury Co. proceeds with its pro-posal to spin off its Burger King subsidiary.

that unit may have to add about \$1 billion in

It can be cheaper to finance a business by

borrowing money than issuing stock, in part because interest paid on loans is tax deduct-ible, while dividends paid to stockholders are

The higher debt levels of Japanese and West German companies, some economists said, give them a competitive advantage.

The cost of capital in Japan in real terms

is about one-third of that in the United States," said George Hatsopoulos, a senior lecturer at the Massachusetts Institute of

Technology.

That means Japanese companies can afford greater investments in new machinery, for example.

But simply amassing higher debt levels without the supportive social and economic environment that exists in West Germany and Japan could actually worsen the United States' competiove position rather than improve it, analysts said.

"Japan socializes the risk, and, to an ex-tent, Germany does too." said Clyde V. Prestowitz Jr., a former trade negotiator for the Reagan administration. Without a similar cushion for U.S. corporations, he said, "debt is more risky.

In Japan, the government acts almost as a sponsor of industry, ensuring that economic and political conditions are favorable, and stepping in when they are not.

But it is more than just a question of

governmental support. Close partnerships exist in many foreign countries between companies and their finan-

In Japan, most large companies belong to an industrial grouping that includes at least

one bank. That unit generally supports the other members of the family.

The Sumitomo Group, for instance, includes the computer company NEC Corp. and the Sumitomo Bank.

Through an intricate web of holdings, Su-mitomo Bank is both a lender and an indirect

stockholder of NEC. Thus the bank has a long-term interest in the company. As a result, NEC was able to plow more

money into its operations than it was getting back in sales, Mr. Prestowitz said. The computer company is now a powerful worldwide Close relacionships also exist in West Ger-

many, where banks own an estimated 15 percent of all corporate equides.

Not only is Deutsche Bank the leading

See DEBT, Page 13

Britain Delays Privatization Of Savings Bank

LONDON - The British government said Friday it was delaying the privatization of its Post Of-

fice saviogs bank because no suitable bidder had emerged. Tony Newton, the junior trade and industry minister, said the government was still committed to selling off Girobank PLC, the sixth-higgest bank in Britain, which analysts expect to tetch about £200 million (\$360 million).

"The government remains con-vinced that the bank would benefit from the freer and competitive environment of the private sector,"

Mr. Newton told Parliament. The government invited bids last June for Girobank, the latest in a long chain of state-owned concerns

to be offered to private buyers in a drive to expose them to free-market competition.

Girobank has oo retail outlets of

ts own, but serves about two millioo Britons through the national network of 20,000 post offices, which the government has highlighted as a major selling point.

Mr. Newton said the government was oot insisting on any specific price, as long as taxpayers got a fair deal. He denied reports that bids from clearing or savings banks would be disallowed. No one is ruled out of putting in a bid," he

The Post Office and the financial advisers for the sale are holding further confidential discussions

with potential purchasers," he add-

Financial analysts said the difficulty in finding a buyer for Girobank meant it was likely to be sold for a giveaway price below the original forecasts of about £200 mil-

Potential bryers had been de-terred by the drab state of Britain's post offices and the low spending power of Girobank's two million customers, many of whom live in

rural areas, they said.

Christopher Ellerton, banking expert with Warburg Securities, said he doubted whether big banks would show interest even after being told by Mr. Newton they were eligible to bid. They know nobody

else wants it, so they don't see it as a threat," he said. "They're happy just to let it rot."

An opposition Labor party spokesman, Bryan Gould, urged the government to abandon efforts to sell off Girobank.

"To proceed with the attempt to find a buyer either at a knock-down price or from among the ranks of the major clearing banks would be bad for Girobank, bad for the work force and bad for the customers who would find that competition was curtailed," Mr. Gould told Parliament.

Girobank holds around £35 billion in retail deposits and posted pretax profit of £23.1 millioo last

Pernod Wins a Round In Irish Distillers Fight

ages concern Pernod Ricard SA won the latest round in a six-month battle for the whiskey maker Irish Distillers Group PLC on Friday,

Analysts noted the current stock

price of 4,220 Belgian francs

(\$114.44) per share would make a

"It's far too much, especially considering that the price is at lev-els seen in the summer of 1987,

when there were aboot 24.5 million

shares. Now we have over 42 mil-

lion shares, which is not halanced

by an increase in real assets, just

cash, which does not increase in

A significant portion of the oew

shares were issued as part of the old

management's defense against Mr.

Générale has made a public bid

to acquire the remainder of Vieille

Montagne shares, which would

then be offered to its wholly owned

subsidiary Union Minière SA.

value," one analyst said.

de Benedetti's bid.

public placing hard.

when it received a favorable ruling

DUBLIN - The French bever-

by the Irish Supreme Court.
The Irish-based fruit importer FII Fyffes PLC lost an appeal in the Supreme Court over the disposal of its critical 20 percent stake in Irish Distillers, which dominates the whiskey market with soch brands as Powers, Jamesons, Pad-

dy and Bushmills.

Chief Justice Thomas Finlay up-held an Irish High Court decision last month that ruled Pernod had won an irrevocable promise from Fyffes to sell its holding to the French firm.

But the battle for control of Irish Distillers is not over. The future of the concern still hangs on deliberations by the European Community, the Irish Government and the Brit-

ish Takeover Panel in London. Pernod is battling for control of Irish Distillers with the British ho-

tel and beverages concern Grand Metropolitan PLC, which, through its wholly owned subsidiary GC & C Brands, is making a hostile 332 million punt (\$481 million) bid. Pernod, the so-called "white

knight" that made an agreed 285 million punt bid, said it has com-mitments from 51.8 percent of shareholders.

Pernod originally bid 4.50 punts per share for the Dublin-based Irish Distillers, an offer that was swiftly topped by Grand Metropolitan's offer of 5.25 punts.

World Bank Loan Indicates Progress in Poland

By Clyde H. Farnsworth New York Times Service

WASHINGTON - The World Bank is lending a Polish farm cooperative \$17.9 million to help it export produce to Western Europe,

indicating tentative approval by the 151-country organization of Poland's economic reforms. The lending agency unanimously approved the loan for the Hortex Agricultural Cooperative, one of Poland's leading enterprises. It has "a proven track record" in exports, said one World Bank official, who asked not to be identified. The money will be used to expand six of Hortex's nine frozen food processing plants.

The bank, which commits more than \$20

billion a year to developing nations, is working on an estimated \$250 million of other loans to

Poland. These are intended, for example, to break bottlenecks in production lines or to improve internal food delivery systems.

The loan came from International Finance Corp., a unit of the bank that promotes development in the private sector.

Poland joined the World Bank in 1986 but has not drawn any money from the institution. The United States blocked an earlier application when martial law was instituted in the early 1980s but lifted the objections when it was ended and a dialogue begun with Lech Walesa, leader of the Solidarity movement.

market forces and attracting foreign investors.

John P. Hardt, a specialist on Communist economies at the Congressional Research Service, said Poland reached an understanding with the World Bank, the International Monetary Fund and Western governments about steps that must be taken.

Last year, after a trip to Warsaw by Vice President George Bush, who offered encouragement for the reforms, Poland rescheduled its \$27 billion of debt to 17 Western governments. It is now nearly current on interest payments on

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The country still faces problems in combating inflation, improving productivity and achieving the national reconciliation needed for broader public support of economic reforms.

Workers at one of the production facilities of Renown Inc., the largest apparel maker in Japan. Textile Leader Weaves New Course Japanese Apparel Firm Adjusts to Changing Patterns By Patrick L. Smith million), on a 5 percent increase in sales. Next year's gains were forecast at more modest levels: a 15 percent rise in profit on sales growth of 4 International Herald Tribune TOKYO - When Japanese knitwear manufacturers petitioned the Finance Ministry for protection against South Korean imports a few weeks ago, the irony of the event, which was a first in Japanese industrial history, was oot lost on Masavuki Okumura.

As the corporate officer in charge of production for the past 13 years at Renown Inc., Japan's largest apparel maker, Mr. Okumura has seen dumping charges hurled around his industry before. Last time, however, the plaintiffs were Ameri-

cans and the accused Japanese.

The United States used to lead the world in our industry, and then it shrank in the face of foreign competition and the oil crisis," Mr. Okumura, 63, said recently at Renown's headquarters in Tokyo. "Now it's the Japanese industry's turn to change."

As with many of Renown's competitors, change has not come easily for the 25-year-old company since the need for it became apparent several years ago. But after years of declining sales, low profit-ability and an overdependence on portfolio invest-

ment, Renown is showing signs of renewed health. Reflecting Japan's current boom in personal consumption and a range of strategic changes "The company is starting to regain competitve-

ness," said Setsu Yamazaki, a senior analyst at Merrill Lynch Japan Inc. "But it's still much weaker than it should be. Operating margins are oot what we would like to see, and profits are just climbing back to the levels reached six or seven years ago." More than most businesses in the Japanese industrial firmament, textiles and apparel were hit

by endaka, or yen appreciation, as by an unwel-come blast of cold air. Indeed, the sector had already begun to make the standard transition into lower-wage nations when the yen began rising three years ago. Now, the industry that claimed a 40 percent share of Japanese exports in the 1950s ocounts for only 4 percent. Nonetheless, the new strategies of such compa-

nies as Renown are typical of how Japanese industries have managed to survive wrenching economic and social changes that would have left counterparts elsewhere permanently disabled. After decades serving a nation of conscientious

savers and less-conscientious dressers, local apparwithin the company, industry analysts said they expected Renown to post a 53 percent gain in operating profit this year, to 4.8 billion yen (\$38.7 el manufacturers were faced after endaka with consumers who were spending more money on See RENOWN, Page 11

Générale Owners Confront the Sprawling Giant Générale's nonferrous metals operations. a lot more to do that they gian allies; and Compagnie Générations. a lot more to do that they gian allies; and Compagnie Générations.

people in 44 states and 38 foreign BRUSSELS — The new owners ations. of Belgium's biggest company, So-Earlier this year, GTE said it ciété Générale de Belgique, this agreed to sell its stake in the unweek took the first steps toward profitable U S Sprint Communicastreamlining the sprawling contions Co. to United Telecommuni-Analysis said, however, that

cations Inc. for about \$600 million. United Telecommunications was much work remained before com-GTE's partner in the U.S. longpany profits would generate adedistance telephone company, quate returns on the huge investwhich ranks third in size after ments made by the owners when they fought a bitter battle for con-American Telephone & Telegraph Co. and MCI Communications by the two camps is \$4.6 billion. The 50-50 joint venture was founded in July 1986. Its persistent

Générale, which has interests in stockholders meeting that sealed an about 1,300 concerns worldwide, accord between the principals in said on Tuesday it had bought out a the six-month battle for Générale, group of investors with 40 percent the company said it would present of the stock in Vieille Montagne its overall industrial strategy by SA, bringing its stake in the large November. But sources have since zinc miner to about 90 percent. said that the announcement would Stock analysts said the move was be delayed until early next year. a decisive step toward reorganizing

The company also announced re-

structuring plans for two troubled subsidiaries, Fabrique Nationale de Herstal SA, a leading maker of light firearms, and Gechem SA, which comprises much of its chemical business. "FN and Gechem are not that

important for the Générale in terms of assets, but in terms of trol earlier this year. The indicated potential liabilities they are," one value of the Générale stock bought analyst said. Early in September, after a

"They've discovered that there's

analyst at the brokerage Dewaay, Sebille, Servais & Compagnie. Analysts said much depended on

whether the oew management of Générale, controlled by the French financial firm Compagnie Finan-cière de Suez but also including the loser of the takeover battle, Carlo de Benedetti, would be able to present satisfactory earnings for 1988. The analysts also said plans to

place back on the market some of the shares that were concentrated in just a few hands during the expensive battle for company control would have to wait until an overall strategy was in place.

The large stockholders include Suez; Sodecom, a company 34 percent owned by Suez; Cerus SA, Mr. de Benedetti's French holding company: Groupe AG and its Bel-

Yet to justify international support, officials cited developments like Poland's export growth, efforts to honor foreign debt obligations and new programs aimed at encouraging

its debt. The debt is about \$41 billion,

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PLATINUM INVINED

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Commodities

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Prev. 1.055 1.15 1.5765 213.00 0.39 0.44 6.47 473.00 117

Ulcer Drug Tests NEW YORK — SmithKline Beckman Corp. said Friday that it has discontinued clinical trials on a Previous Rid Ask new ulcer drug that it was developing under an agreement with Bris-10l-Myers Co. A spokesman for the Philadel-phia-based pharmaceutical giant

DM Futures

Options

US.Treasuries

7.46 7.22 7.33

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Nov. 11

7.00 8.22 6.41 Pray. Yield 8.99

said, however, that discussions were

continuing with Bristol-Myers on the future of the drug, which belongs to a new class of compounds that act through a mechanism similar to SmithKline's Tagamet.

In June 1987, SmithKline ac-

quired rights to develop and market a new ulcer drug that Bristol-Myers

had discovered. At the same time.

Bristol-Myers acquired rights to co-market with SmithKline an nonpre-

scription version of Tagamet in the United States and Canada,

UAL Is Said to Seek

\$1 Billion for Planes

LONDON — UAL Corp., the parent company of United Air-

ines, is seeking a \$1 billion long-

term credit for aircraft purchases

with National Westminster Bank and Mitsubishi Trust & Banking

Corp. as arrangers, bankers said.

The maturity is expected to be

over 10 years with an interest rate of about 1 percentage point over

the London interbank offered rate. a substantial improvement over conditions for a \$1.2 billion loan

the company signed last March. That borrowing, since repaid, was

an eight-year loan to finance a

stock huyback at an interest charge of two points over Libor.

SATILE IN WORDS AND PICTURES

Electrolux Buys Lawnmower Firm

Compiled by Our Staff From Dispatches STOCKHOLM — Electrolux AB said Friday that it had agreed to buy the garden products business of Roper Corp., a GE subsidiary, for \$295 million, only five months after Electrolux backed out of a bidding contest for another

U.S. lawnmower maker. The purchase of the business from General Electric Co. was made by the U.S. subsidiary of Electrolux, White Consolidated Industries. The Roper unit also makes garden tractors and tillers, GE will keep Roper's gas and electric cooking-range businesses.

The market for garden products is becoming increasingly global, just like other household products," said the president of Electrolux, Anders Scharp.
"The United States accounts for

market and we have had plans for a few years to acquire one of the major companies in the industry." Electrolux, a diversified appli-

ance maker, dropped a hostile bid in June for Murray Ohio Manufacturing Co. after Tomkins PLC of Britain made a higher offer for the

U.S. maker of lawnmowers and bi-cycles. A spokesman for Electrolux said at the time that it regarded the \$224 million bid by Tomkins as too of Warburg Securities. high, and Electrolux did not find it

higher price. na, was acquired by General Elec- about the outlook for Electrolux, tric last April after a bidding war

billion a year. In August, Electrolux posted a

as much as 60 percent of the world Electrolux said the purchase would have only a marginal effect

Roper's garden products business has annual sales in excess of

Analysts said the sum paid by Electrolux seemed reasonable.

"economically justifiable to pay a is its effect on earnings," he said, Roper, which employs about sion garden products still account-2,500 people at its headquarters in ed for only a minor part of Electro-Augusta, Georgia, and three fac- lux activities. tories in Georgia and South Caroli-

with Whirlpool Corp.

Electrolux said the purchase would raise sales of the group's outdoor-products business to \$1.2

kronor on sales of 36.07 billion kronor (\$5.9 billion).

on its consolidated results next

"What you really have to look at adding that, despite recent expan-

Analysts have been cautious

since almost 50 percent of its profits come from its household appliances division. They say this sector had seen weakening demand in the United States and the trend could spread to Europe.

Mr. Scharp said at a oews con-

20 percent increase in not profit for ference on Friday that the purchase the six-month period of 1.81 billion price included a goodwill sum of price included a goodwill sum of about \$160 million

"You have to pay high for a good company," he said. The finance director of Electro-

lux, Lennart Ribohn, said his company was profitable enough that profits for 1989 will only be marginally effected by the acquisition." Mr. Ribohn said Electrolux would seek some loans to help fund

The purchases raised Elders

RENOWN: Leading Japanese Apparel Maker Fights Changing Patterns

(Continued from first finance page) clothing than ever before and looking for more fashion in what they ought than most companies were

apable of providing. Then came the rising tide of imports from South Korea, Taiwan, Hong Koog and the lower-wage nations of Southeast Asia. Las year, imports of textiles and apparel, almost all from that region, grew 50 percent, to a record \$3.4 billion. This year, they will account for almost 15 percent of Japan's 12 trillion yen domestic market,

For Renown, which had sales last year of 211 billion yen, the industry's difficulties were comcounded by a management that had become complacent in the company's dominant niche in the volume zone," as executives characterize its mid-range market and by a strategy that was strong on sales but weak on inventory control, design and responsiveness to changing consumer tastes.

Some competitors, such as Sanyo Shokai Ltd. and D'Urban Inc., the laster of which is 28 percent-owned by Renown, met the challenge earlier, chiefly because they were smaller and more agile, industry analysts said. Given its size, Reoown is something of a case study in the damage many traditional Japanese industries have sustained and what they are doing to survive

"In a way you could say the company is simply too big," said an industry analyst at a local broker-

age house. "The sales power is lastes - have hurr Renown more sumers because it didn't think they were important.

That attitude has long been prevalent among Japanese executives. Even after Renown's operating income began falling from its peak of

there, but it haso't unoerstood con- than others because it has been more dependent on "superstores," as variety stores are known in Japan, and because it has had little direct contact with consumers. Renown's sales in superstores, where imports have made their 10.8 hillion yen in 1981, the compa- deepest inroads, accounted for al-

As with many Japanese companies, Renown's first response to the turmoil in its industry was to develop a lopsided dependence on 'money technology,' as portfolio investment by industrial concerns is known.

oy did little to alter either its product mix or its market approach. Reflecting the sector's unexciting prospects, Renown's stock is valued at a prospective price-to-earnings ratio of 33, compared with an overall market average of about 65. The stock is currently selling at about 850 yen, compared with a 52week high of 1,050 in April and a low last November of 682.

'It's a classic consumption stock," said Jeff Max Uscher, chief of research at Smith New Court PLC in Tokyo, "But we think the market has rated it pretty highly

even where it is," industry - imports and changing recovery. Two years ago, for exam-

most a third of total revenue at their peak. Last year, they dropped 10 percent,

As with many other Japanese companies, Renown's first response to the turmoil in its industry was to develop a lopsided dependence on zaitech, or "money technology," as portfolio investment by industrial concerns is known. At end-1987, such investments were almost half of Renown's 199 billion yen in total assets. For the past several years, zaitech has accounted for roughly two-thirds of pretax

There have been some false Both of the challenges facing the starts on the company's road to

Share Purchase In U.K. Brewer

Elders Defends

LONDON - Elders IXL Ltd., the Australian brewing and agribusiness concern, defended on Friday as proper its purchase of shares in Scottish & Newcastle Breweries PLC on Thursday.

Elders said its statement was a response to comments in the British press. The purchases took place within 50 minutes of an announcement that Elders' £1.6 billion bid (\$2.83 billion) for Scottish & Newcastle was referred to the British Monopo-

Many British publications commented Friday that Elders's move to buy 35.21 million shares after the referral to the regulatory body was against the spirit, though not the letter, of British takeover rules.

stake in the brewer to 23.64 percent from 14.16 percent.

ple, Renown introduced 28 new

brand names. But with more than

300 brands already in its stable including 30 foreign names such as Norma Kamali, Perry Ellis and Turnbull & Asser — the effort had little impact on revenues.

But industry analysts are more confident that changes made this year will be more effective. On the production side, the company has just signed a joint-venture manu-facturing agreement in Thailand, signaling the company's intention to double its proportion of imported goods, to 10 percent, over the next few years, thus saving 20 percent to 30 percent of the cost of producing comparable items in Ja-

At bome, the company recently amalgamated management functions previously divided between its Tokyo and Osaka offices, bringing everything from planning to sales into one womenswear division. Now the menswear and childrenswear divisions are undergoing similar changes, which are expect-ed to yield three important benefits: lower costs, increased efficiency and greater responsiveness to market demand.

Similarly, Renown is expanding a previously limited point-of-sale inventory system, allowing outlets across the country to be linked and lost sales opportunities reduced.

Perhaps most important of all is Renown's plan to expand its sales in up-market department stores such as Seibu and build new links with smaller retailers.

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at any time tree of commission. CS MONEY MARKET FUNDS ere prelitable: Unils generale

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quality of this CS money market fund. It also repre-

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US-DOLLAR maintains its top standing in

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awarded the AAAm rating (triple A for money market funds) by Standard & Poor's Corporation, New York. This prime credit

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too about the CS MONEY MARKET PUMP

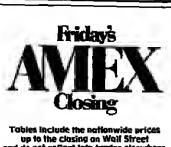
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Via The Associated Press

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Chrysler Shuffles Top Management

By Richard Levin
New York Times Service

New York Times Service
NEW YORK — Chrysler Corp. has shuffled
its top management in what appears to be a
tightening and clarification of executive duties.
The change, announced Thursday, will also
consolidate Gerald Greenwald's position as the
likely successor to Lee A. Iacocca as chief executive of Chrysler.
The third-largest U.S. automaker said in a
prepared statement that the changes were unade
to more clearly define responsibilities and accountability for all company operations."

countability for all company operations."

In the last two years, Chrysler has suffered some highly publicized, embarrassing confrontations with law enforcement agencies, state governments and the United Automobile Workers union that have suggested a lack of

management coordination.

Mr. Greenwald, 53, who had been chairman of the Chrysler Motors automotive subsidiary, the corporation's main business, will join Mr.

ler's finance company and its research and technology unit, will report to that office. Reporting separately to Mr. Greenwald will be Chrysler's Acustar parts subsidiary, the international operations and the finance ope

Reporting to Mr. Iacocca will be the corpora-tion's planning and external affairs executives, as well as the personnel and organization of-

Chrysler also scrapped its five-man corporate executive committee, consisting of Mr. Iacocca

That panel was replaced with a corporate policy committee, consisting of Mr. Iacocca, Mr. Greenwald and Mr. Miller. All five worked at Ford Motor Co. in the 1970s.

The move appears to put corporate and strategic issues into the hands of fewer executives.

Bidwell, 61, will be more narrowly focused on

automotive concerns.

Mr. Miller, 47, who was vice chairman and chief financial officer in the previous configuration, was named executive vice president. He remains chief financial officer.

In June 1987, Chrysler was indicted by federal grand jury in St. Louis, Missouri, which charged that some department heads had been allowed to drive more than 60,000 vehicles with disconnected odometers from July 1985 to Jan-

ansconnected odometers from July 1985 to January 1987. Chrysler later settled the charges for \$16 million.

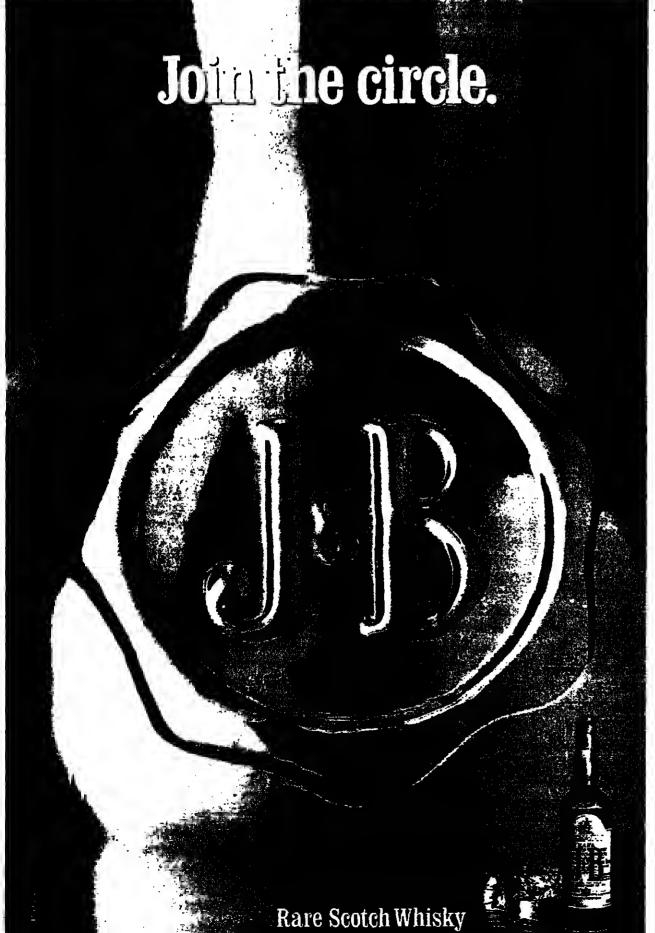
At the time, Mr. Jacocca was quoted as saying the incident was "dumb." An attempt to sell some damaged cars as new ones "went beyond dumb and reached all the way out to stupid." he

In late 1987, an attempt to sell the Acustar parts unit met with union resistance. The com-pany then broke off negotiations to sell Acustar

pany then broke off negotiations to sell Acustar in order to reach a labor agreement with the UAW.

Early this year, Chrysler announced that it would close a former American Motors assembly plant in Kenosha, Wisconsin, cutting 5,500 jobs.

Chrysler eventually set up a fund for the workers after the UAW threatened a work stoppage and the state of Wisconsin raised the possibility of a lawsuit contending that the company was breaching a promise not to close the plant.



Floating-Rate Notes

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CURRENCY MARKETS

DOLLAR: Currency Plummets Despite Intervention

(Continued from Page 1)

tion by the Federal Reserve Board to support the currence "A statement of official govern-

ment policy is very badly needed pow," said Frank Watson of the Swiss Bank Corp. Haris A. Makkas of Citibank added, "There is a panic in the

market that if we don't see some statement from the administration on its intentions, we will go lower."
In Tokyo, the Bank of Japan was reported to have bought about \$400 million to support the U.S. currency after it sank to a low of 223.63 yen, its lowest level in Japan Fince Jan. 4. The Japanese central bank later bought about \$100 mil-lion in after-hours. Tokyo trading

and in Singapore, dealers said. The Bank of England also intervened on the foreign exchange mar-ket in London, buying dollars for yen apparently on behalf of the Bank of Japan, dealers said. The British central bank declined to comment, but dealers said it Management bought dollars at about 122.75 yea.

The Japanese vice finance minister, Akira Nishigaki, said Japan

London Dollar Rates Paund sterling 1.7965 124.12 1.699 6.0125

would intervene as necessary in currency markets both in Tokyo

The West German Bundesbank also intervened to support the dollar against the mark, buying \$50 million as the fixing started, dealers said. It was the first time the Bundesbank had intervened at the fixing since Oct. 7, when it sold \$14

The dollar gained half a pfennig and half a yen in European trading after the Bundesbank intervened

In London, the dollar closed at 122.695 yen, down from 124.120 yen Thursday, and at 1.7345 DM, down from 1.7595 DM. It also fell to 1.4568 Swiss francs, from 1.4792 francs, and at 5.9325 Freneb trade deficit some analysts said. francs, from 6.0125 francs. The

pound ended at \$1.8158, up from \$1.7965 Thursday. Some traders said the fact that

Mr. Bush had not announced that Nicholas F. Brady would remain Treasury secretary caused concern in the market. Nevertheless, Mr. Brady was expected to retain the post that he holds in the current Reagan administration.

"The president-elect could move with his appointments to reaffirm the spirit of cooperation in the G-7," said Neal M. Soss, an economist at the First Boston Corp. The Group of Seven leading industrial nations are Britain, Canada, France, Italy, Japan, the United States and West Germany.

Mr. Soss also said traders would be closely examining budget proposals developed during the transition period before the inauguration of Mr. Bush on Jan. 20.

The transition period between U.S. administrations, when policy lines between the old and oew teams can become murky, could also be a convenient time to let the dollar fall to help reduce the U.S. (NYT, AP, Reiders, AFP)

Norway Central Bank Acts To Stem Run on the Krone

OSLO - The Norwegian central bank on Friday bought substantial amounts of kroner and sold various currencies for the second straight day to support the currency, dealers said.

The krone has been under downward pressure from falling North Sea oil revenue, and from a narrowing of its favorable interest rate differential with other currencies. The central bank declined to comment on the reported buying of

kroner, but a spokesman said it agreed to extend interbank currency trading by an hour and a half because of large volume. Dealers said that the central bank sold U.S. dollars and European currencies.

Swedish banks were active in selling the krone, and were joined by substantial selling from Denmark and Switzerland, they said. By midafternoon, the krone had weakened in its trade-weighted basket of 14 currencies to 113.66, after opening at 113.32.

The central bank is committed to defending the krone within a five-point range, from 109.50 to 114.50. On Friday in London, the British pound closed at 11.9015 kroner,

up from 11.8143 on Thursday. Dealers in Oslo said pressure on the krone had come partly from pessimism about Norway's economic situation, which has been

affected by low prices for its North Sea oil. But the krone also has lost some of its high interest rate allure. The return on krone investments has dropped in relation to other currencies since the central bank cut its key overnight lending rate last month to 12.4 percent from 12.8 percent. The cut was the third this year, for a total reduction of 1.4 percentage points.

Taiwan Moves to Reassure Market

Stock Prices Will Be Allowed to Vary Up to 5% a Day

fluctuations starting Monday will have a positive impact on the Taiwan stock market, analysis said Friday.

The Securides and Exchange Commission said Thursday that the government would allow share prices to fluctuate 5 percent a day, instead of the current 3 percent.

"The move has a positive impact," said Daniel Chiang, vice president of International Investment Trust Corp., adding that it would allow the market to function

Widening the limit will increase investor awareness of the risks involved in trading, Mr. Chiang said.

A senior SEC official said Thursday that the change was intended to allow more liquidity in the mar-ket, which he said had stabilized after plunging over a three-week period from Sept. 29 to Oct. 21.

Brokers forecast that the market index would rise to between 7.000 and 7,200 in the short term. Active buying pushed the iodex to 6.760.48 oo Friday, up 155.76 points, compared with Thursday's close of 6,604.72.

Jennifer Hsu, manager at Yuan a Securioes Co., said that if the 7.000 barrier were broken, "then it will be easier for the bourse to pick

Up more momentum." Michael Chen, vice president of Fidelity Securities lovestment Consulting Corp., said that expect-ed eurs on oil prices and power rates to will investor confidence. More support will come from a surplus of funds, low bank interest rates, moderate economie growth

and limited investment outlets. "The stock market has so far proved to many people in Taiwan that it is one of the best places for investment, despite its high risk," Mr. Chen said.

Other analysts expect market players to push the index higher in the sbort term to cash in oo tax exemptions. Beginning in January, the government plans to tax profits oo stock transactions.

manipulating the market because

TAIPEI - A government deci- oot large enough to scare them, sion to allow wider stock-price said William Huang, executive vice president of King International Se-

curities Corp. The SEC lowered the sbare price limit to 3 percent from 5 percent in October 1987 to limit losses after the global stock market crash that

Brokers estimate that the total value of stocks listed on the exchange has fallen about 600 billion

the 5 percent stock-price range is year, with the index declining 36.12 percent to 5,615.33 on Oct. 21.

from a record 8,789.78 on Sept. 24. The government later organized B rescue by asking state banks and major market players to buy stocks to ease the anger of protesting in-

vestors. Brokers forecast that the number of investors would increase because they are unwilling to deposit their money in banks, which offer low annual interest rates of between 4 Taiwan dollars (\$21.4 billion) this percent and 5.5 percent.

DEBT: U.S. Companies on a Binge

(Continued from first finance page) bank for Daimler-Benz AG, but it also holds more than 25 percent of the Buto company's stock, and the chairman of Deutsche sits on the board. At Commerzbank, the 11 top executives each sit on about 10

corporate boards.
U.S. banking regulations prohibit large ownership of commercial companies by banks. Banks can own voting shares of a company up to a maximum of 4.9 percent. They can increase their stakes by owning noovoting shares, but the two forms of ownership combined can-

not exceed 24.9 percent. The relationship between a bank and a borrower becomes critical when a company runs into trouble - B prospect that is more likely wheo companies are operating with

relatively high levels of debt.

If a bank has a long association with a company and is both a large equity holder and lender, its interests are more aligned with the long-

term health of that company. Similarly, if a company's debt is too high, banks in West Germany and Japan will often cancel some of

the debt in exchange for stock. To be sure, the recent use of debt in leveraged buyouts and corporate restructurings is creating the kind of eloser relationship among lend-

er, equity holder and company that exists and is considered desirable in many other countries.

Inc., a textile company that was taken private by Morgan Stanley & Co. And Chase Manhattan took about a 10 percent stake in Cain Chemical, which was taken private and then sold to Occidental Petro-

leum Corp. Even if the increased borrowing forces banks and corporate enterprises closer together, the factor that will ultimately decide whether these higher debt levels help or burt U.S. competitiveness is how this debt is used.

Criocs of leveraged buyouts and recapitalizations pointed out that in Japan and Germany, companies use their higher levels of debt to invest in oew plant and equipment. The debt being created in the

United States, they maintain, is largely being used to retire equity, by buying out public shareholders. In a leveraged buyout, for example, B group of managers and inves-

tors takes a company private by buying out public shareholders with borrowed money. In the course of a buyout, a company's debt can soar from about 30

percent of total capital structure, to as much as 90 percent, although it is quickly reduced through asset sales and other measures. No one can predict at this point

whether shareholders who receive windfalls from their bought-out investments will use that money to Most significant lenders to lever- buy fancy cars and trips to Hawaii aged buyouts oow try to get equity or will reinvest it in the stock marstakes in those companies. Bankers ket, which might enable companies Trust, for instance, owns about 25 to invest in plant and equipment.

Potential Is High for a Confrontation Between Bush and Fed

By John M. Berry

Washington Past Service
WASHINGTON — All the ingredients see present for a clash next year between seorge Bush and the Federal Reserve Board, which is intent on slowing U.S. economic

growth to hold down inflation. Such a conflict is already apparent in the Reagan administration's latest economic forecast and the Fed's goals for 1989. How Mr. Bush resolves the conflict after his inqueguration as president next year will demonstrate how much inflation risk he is prepared to take as he tries to reduce the budget

The administration has predicted a 3.3 percent increase in the gross national product, adjusted for inflation, between the fourth quarter of this year and the fourth quarter of 1989. Central bank policy makers, on the other hand, believe real growth in GNP must be held to between 2 and 2.5 percent to head off the risk of an acceleration

Friday's

NASDAQ prices as of 4 p.m. New York time. This tist, compiled by the AP, consists of the T.000 most incided securities in terms of dollar value, it is updated twice a year,

Via The Associated Press

much it had come down during Ronald Rea-

But if Mr. Bush were to incorporate the Fed's growth target in his official forecast early next year, it would greatly complicate the task of getting the fiscal 1990 budget deficit down to \$100 billion, even on paper. The \$100 billion figure is the limit set by the Gramm-Rudman-Hollings budget-deficit reduction law. Reagan administration officials believe about \$30 billion worth of caseding arts are marked to each \$100 billion. spending cuts are needed to reach \$100 billion in 1990 even if the economy expands at

points once the program is announced.

When the flexible freeze was first laid out last summer, one senior Fed official said of

cil of Economie Advisers under Mr. Reagan and an adviser to Mr. Bush, said Wednesday that one of the new president's major tasks next year will be to "run interference" for the

Speaking at the same conference in Washngton, the former Fed chairman, Paul A. Volcker, delivered the same sort of message.

of inflation.

A clash is not inevitable. Virtually the only discussion of inflation during the Bush campage of the function of inflation

much" to expect monetary policy to keep the economy on an even keel indefinitely. The former Fed chairman also expressed

and last year, the Fed felt the need to raise interest rates to respond to rising inflation This year, some analysts had expected Mr. Greenspan, who has had a long association with the Republican Party, and other Rea-gan appointees on the Fed board to hold down short-term rates to help ensure Mr.

other Fed officials raised rates in a series of small steps between March and September,

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By Richard Levin New York Times Server JRK — Chrysler Corp be nagement in what appear.

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But if Mr. Bush were to incorporate the

the faster 3.3 percent pace next year and the Mr. Bush has proposed a so-called flexible freeze to eliminate the federal budget deficit by fiscal 1993, but Fed officials are skeptical about a key assumption in that proposal, that interest rates will fall by 2 percentage

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Fed so that it can do "unpleasant" things, if necessary, to keep the economy on track.

Mr. Feldstein, who emphasized that be was not speaking for Mr. Bush, expressed confidence that Alan Greenspan, chairman of the Federal Reserve Board, would take steps to keep inflation from getting out of

"The Fed may have to oghten further from where they are today" to do that, he

The U.S. economy is running at full em-ployment, Mr. Volcker declared, and it cannot grow oow by more than about 2.5 per-

cent B year without setting off new inflation.

skepticism that enough spending cuts could be found to reduce the deficit to an acceptable level. But Mr. Bush has pledged not to

During most of the six years since the deep recession of 1981-82, the Fed has not been acutely worried that rapid economic growth would generate rampant inflation. Ucem-ployed workers and machines provided B sort of cushion, so that the growth primarily cut unemployment and boosted the use of production capacity, rather than adding to inflation pressures. However, both in 1984

expectacions. Bush's election, Instead, Mr. Greenspan and

"Big players have oo problems

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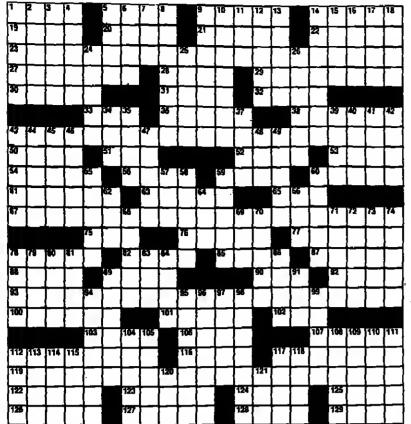
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Via Agence France Presse Closing prices in local currencies, Nov. 11

Magic in the Middle By Robert H. Wolfe



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- 38 the products 43 Ex-senator with former pit*cher on time*
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- 65 Proverb ending 67 Typing method of actress with
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- Burns poem 78 Kind of race 82 Bad day for Julius 85 Israeli port
- 67 Loren's mate 88 Oppenheimer subject 89 Environmen-
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- 93 Justice joins wife slayer; gets bruised

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SOUREN MELIKIAN

Markets Closed

The stock markets in

Brussels and Paris were

closed Friday for a

holiday.

IN THE IHT EVERY SATURDAY WITH **AUTHORITATIVE WRITING ON THE** WORLD OF ART AND ART AUCTIONS

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BOOKS

EUROPEANS

By Jane Kramer. 561 pages. \$22.95. Farrar, Straus & Giroux, 19 Union Square West, New York, N. Y. 10003.

Reviewed by Jim Hoagland

J ANE KRAMER rows with determina-tion away from the swelling tide of books, studies and politicians' speeches which at-tempt to impose a common European identity on the several dozen nation states between the Atlantic and the Urals. She fills her boat with individuals whose heritage, habits and concerns are as different from each other's as they are from the Americans who are her audience. Only Kramer's fine eye for detail, her wicked turn of phrase and a steady tone of surgical detachment unite her subjects, who range from the famous and infamous to the deservedly obscure.

Kramer's insightful and eloquent profiles of people and places in Europe have enliv-ned the pages of The New Yorker for more than a decade. Bringing them together be-tween covers illuminates the considerable strengths (and the occasional weaknesses) of her own approach to Europe and of the distinctive form of literary journalism practiced by her magazine.

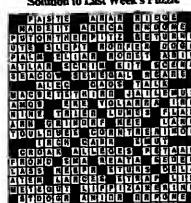
William Shawn, The New Yorker's for-mer editor, makes a virtue of the lack of connective tissue in a brief forward. Kramer attacks Europe "obliquely and idiosyncrati-cally, choosing subjects... for no reason other than some profound personal inter-est." Shawn writes, adding, "Her sense of national character is as dependable as her sense of individual character,"

Thus her perceptive profile of Portugal's failed revolutionary hero. Otelo Saraiva de Carvalho, turus gradually into a far larger portrait of Portuguese political life since the 1974 revolution. Kramer artfully uses Carvalled fail and market fail. ho's fall and eventual imprisonment to cap-ture the frivolity of Portuguese politics that masks a practiced and deadly game of betray-

Her sharply etched national portraits of West Germany and Austria are the most memorable parts of the book. You will not memorable parts of the book. You will not forget Kramer's comparison of Kurt Waldheim with the Chinese male spy who carried on an affair with a French diplomat for 20 years by successfully pretending to be a woman. The diplomat "went to prison refusing, really, to change his mind" about his lover's gender. Similarly, Kramer says, Waldheim "for forty years dressed up in patriotic clothes, invented a past for decoration and seduced Austria," which elected Waldheim president and defends him now that the truth is out. that the truth is out.

Kramer's sensibility is creatively startled

Solution to Last Week's Puzzle



by these societies in which "being abnormal is normal." She uses this phrase in connection with the diplomatic and political fictions made necessary by the division of the Ger-man nation after World War II, but it serves to describe her reaction as well to what she sees as the corruption and amorality that pervade the interlocking political and busi-ness establishment of West Germany.

"The Germans loved [Konrad] Adenauer, she writes of the first postwar chancellor and the national ethos he created from the ashes of Hitler's defeat. "He turned their evasions into something positive, and persuaded them, with his stern calm, that rituals of guilt and expiation could be undermining and indul-gent." Today, she maintains, "the real argument in Germany cuts through class and politics, and is less about left and right than it is about authoritarian and libertarian strains in the society."

But where the themes are less compelling — as in two separate series of vignettes about how Portuguese immigrants fare in

France, or in a meandering reconstruction of how the French right played on local fears of immigrant workers to take control of the city council of Dreux in 1983 - piling detail nable. Several possible story lines seem to compete unsuccessfully for the author's at-tention; all wind up being reported but not developed.

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In all of the stories you sense Kramer's sympathy with the maverick and the misfit, with people who challenge the established order or exist on its margins. This sympathy imparts a remarkable vigor to her writing. Kramer does not rely on the artificial de-vices used so often in American reporting from abroad to make distant and epheme developments allegedly interesting and im-portant so as to hook readers. In its honesty and skill, this book is foreign correspondence of the highest quality.

Jim Hoagland is on the staff of The Wash-ington Post.

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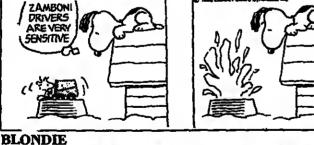
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THINK I'M MADE OUT OF EARS!

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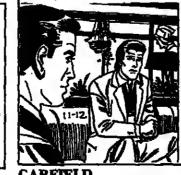
















I LOVE VOLLEYPOG

DOONESBURY IN MY CAPACITY AS WEB PRESIDENT-ELECT, ID LING TO SAY A PEN WORDS ABOUT "BONE".











SPORTS

Browns Will Try Once Again To Knock Off Elway's Broncos

By Gerald Eskenazi New York Times Service

NEW YORK - When the Geveland Browns visit the Broncos in Denver's Mile High Stadium on dominate: the Drive and the Fun-

The memories recall two of the great games in National Football League history, both American

Two seasons ago, the Broncos won after a 98-yard march led by John Elway had tied the score. Last season, the Browns came back from a 21-3 deficit only to lose when the ball was stripped from Earnest Byner as he headed for the goal line and the tying touchdown.

The Broncos, the AFC champi-

ons, are 5-5, yet tied for the lead in the West. The Browns, at 6-4 in the Central Division, are a leading candidate for a wild-card spot.

The Browns have never beaten John Elway. Then again, they

haven't beaten any Denver quarter-back since 1974. Since then, the clubs have played eight times — including the two title games and the Broncos have captured ev-

by game.

These have been flawed seasons or both quarterbacks. Elway, who was injured earlier this season, hurt his thigh lifting weights on Mon-day, but has taken all of the prac-tice snaps this week. He has thrown more interceptions (13) than touch-

downs (9). The Browns are 2-1 since Bernie Kosar returned from his elbow injury. With another quarterback starting, the Browns are 3-3.

Even with his winning record, Kosar has struggled. He had three passes intercepted in his return gainst Phoenix, and then saw an interception returned for a touchdown in his second game back.

The Browns' top rusher, Kevin Mack, was injured Monday and is out for the game. Webster Slaughter, the Browns' top receiver, is out The Daily Source for International for the year.

American Conference Houston (7-3) at Seattle (5-5): Dave Krieg, recovered from a

shoulder separation, is ready to return as the Seahawks' quarterback, replacing the rookie Kelly Stouffer. Warren Moon makes his first Kingdome appearance after starring for the University of Washington. The Oilers are the most penalized team in the league, the Scahawks one of

Investors

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Cincinnati (8-2) at Kansas City

Cincinnati (8-2) at Kansas City

(1-8-1): Boomer Esiason is soaring as the conference's top passer. He is averaging nearly 10 yards per passing attempt and has thrown for 20 touchdowns. The Bengals have

Covered from a bad back, will probably get his starting job back from ably get his starting job back from

NFL PREVIEW

gained more yards, almost 400 per game, than any other team in the league. The Chiefs don't yield many points — averaging less than 17 a game - but barely manage to core 12 themselves.

New England (5-5) at Jets (5-4-1): The Jets have had success stopping the run, which is what the Patriots do well. But the Jets can't chase quarterbacks, and that could allow Dong Flutic to run like a deer. The Jets are bolstered by the return of Alex Gordon at left out-

National Conference Chicago (8-2) at Washington (6-4): A likely defensive tussle with teams tearing up the grass on the line. The Bears are 12-2 with Mike Tomczak as the starting quarter-back and 1-0 with Vince Tobin as interim coach. Mike Ditka will watch from the Robert F. Kennedy Stadium press box, just two weeks

after suffering a heart attack. New Orleans (7-3) at Los Ange-les Rams (7-3): The West Division co-leaders met two games ago, when the Rams won by 2 points. The Saints are the NFL's top team in converting third downs, connecting 49.6 percent of the time. The Rams' Jim Everett is the league's

top-rated passer, with 21 touchdowns and only 9 interceptions.

Minnesota (6-4) at Dallas (2-8):
The Cowboys' new starting quarterback is Kevin Sweeney, who
threw three second-half touchdown passes against the Giants. He faces a defense that leads the league with 22 interceptions. Minnesota is No. I in the conference in passing and pass defense.

Tampa Bay (2-8) at Detroit (2-8): Give the ball up 35 times, as Tampa Bay has, and you lose four times as often as you win. Vinny Testa-verde's high yardage totals are off-set by his 24 interceptions. The Lions rank last in generating rushing and passing yardage.

Giants (7-3) at Phoenix (6-4):

The Giants have sacked Neil Lo-max 57 times in 13 meetings since 1981. They have dumped him 25 times the last two seasons. This year, the Cards have cut down their sacks but they haven't faced Law-

Los Angeles Raiders (5-5) at San Francisco (6-4): Joe Montana, re-covered from a bad back, will prob-

points. He achieved a 20-3 record

League, in the award's 33-year hisonly three pitchers received all the

Strange Leads by 3 in U.S. Golf

8-iron shot took one bounce into the cup on the 11th hole.

PEBBLE BEACH, California (NYT) - Curtis Strange shot an 8-

under-par 64 Thursday to take a three-stroke lead after the first round of

the Nabisco Championship, the final stop on the PGA tour this season.

Strange, the U.S. Open champion this year, shot an opening round that had neither a bogey nor a score above 4 as Strange came two shots short of the course record of 62. He produced 6 birdies and an eagle 2 when his

Ken Green, winner of the Canadian Open in September, birdied the

final hole to finish at 67. Joey Sindelar was another shot back at 68.

FIFA to Crack Down on Fake Injuries

PRAGUE (Reuters) - The International Football Federation, FIFA.

has announced plans to crack down on players who fake injuries.

Harry Cavan, FIFA vice president, said officials at the federation's symposium in Prague proposed penalizing players who pretended to be injured and giving referees basic medical training.

France Defeats Argentina in Rugby

LILLE, France (AFP) — The French rugby team battered Argentina on Friday, 28-18, scoring four tries to none and adding three conversions and two penalty goals. Argentina's points came from a drop and five

penalty goals. The French thus swept a two-test series, having won last

SIDELINES

Saturday in Nantes, 29-9.

HOCKEY

of the Pennsylvania teams in the 1980s. The Eagles' Reggie White leads the league in sacks, while Randall Cunningham could decide to do anything he wants against the NFL's most vulnerable defense. Indianapolis (5-5) at Green Bay (2-8): The Colts have not permitted

a sack during their last four games, all victories. They are 5-2 with Chris Chandler as the starting quarterback. The good Colt special teams include Dean Biasucci, who has a record-equaling five field

goals in 50-yard range. San Diego (2-8) at Atlanta (3-7): Mark Vlasic will take over as the Chargers' quarterback for Mark Malone, attempting to halt six-game losing streak. John Settle, the Falcoos' second-year rucoing back, is an impressive all-purpose player with 1,065 yards from scrim-mage. He has a 4.9 rushing average. Monday Night Buffalo (9-1) at Miami (5-5): The

Bills can clinch the AFC East title within a seven-day span by beating the Dolphins and then the Jets. A classic confrontation: Dan Marioo's passing game leads the league in yardage produced while Buffalo is the NFL's third-stingiest team in yielding passing yardage.



Master Class

Ted Williams, the former Boston Red Sox great, talks about batting style with his son, John Henry, and Reggie Jackson, right, himself recently retired. Williams, 70, who slugged his way into the Hall of Fame from 1939 to 1960 with the Red Sox, was honored Thursday night in Boston at a benefit for the Jimmy Fund, part of the Dana Farber Cancer Institute, which is Williams's favorite charity.

Hershiser of Dodgers Wins Cy Young Award

By Murray Chass New York Times Service

NEW YORK - He finished the regular season with 59 successive scoreless innings, shut out the New York Mets in the seventh game of the playoffs, pitched a shutout and also won the final game against Oakland in the World Series.

And Thursday, Orel Hershiser became the unanimous winner of the National League Cy Young Considering that he produced

the most spectacular finish with which any pitcher ever coocluded a year, the award was almost anti-

Nothing that Hershiser accom-plished after Oct. 2 — the final day of the regular season - weighed in the Cy Young voting, but those accomplishments made him one of the few winners of the award who pitched as spectacularly after the eason as during it.

Hershiser, who won 23 games and lost 8 for the Los Angeles Dodgers, was selected first on each of the 24 ballots cast by members of the Baseball Writers Association of America, two from each Nation-

Kansas City last winter. David Cone of the Mets was third with 42 after an injury to Rick Aguilera put him into the Mets' starting rotation

a month into the season.

Hershiser was the 12th unanimous winner, ninth in the National

votes since the 5-3-1 point system went into effect in 1970.

Hershiser's victory never was in doubt once he recled off the longest scoreless iooiog streak ever amassed by a pitcher, eclipsing by one inning the record set by Don Drysdale, also a Dodgers' pitcher,

Hershiser, a 30-year-old righthander, did oot let up in the post-season, which he finished with a 3-0

He also fashioned a nine-game winning streak, brought his career totals to 104 victories against 81 defeats and became the leading pitcher in victories over the past five years, surpassing Jack Morris of the Detroit Tigers and Dwight Gooden of the New York Mets.

Tommy John has become a free



Orel Hershiser: Unanimous choice for National League award.

tory. This was the first time that | John Becomes Free Agent more. In fact, he has been in the majors for 25 years.

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for free agency, meaning he can now sign with any club. Near the end of the season, the Yankees gave John reason to think he would be ever, in a meeting with reporters two of Brown's teams. He then last week, Dallas Green, the Yan-transferred to McNeese State bekees' oew manager, said that at 45, John was too old to pitch for him. John, who has 286 career vic-

tories, said be would pursue a job with another club.

VANTAGE POINT/Dave Anderson

Brown Skips Town, Leaving the 'Kids'

NEW YORK - Minutes earlier, the University of Kansas basketball team had lost to Duke, 71-67, in the semifinals of the 1986 NCAA championship. But in a gloomy gray hallway of the Reunion Arena in Dallas, the Jayhawks' coach, ahead to the next season.

"We're going to be a quality team next year," he said. "We've got some great kids coming in."

Among those "great kids" would be Vincent Askew, a Memphis State player who that summer attended classes at Kansas with the idea of transferring there. Askew later changed his mind.

But while Askew was pondering his future, Brown and those who rode shotgun for him on the Kansas stagecoach spent at least \$1,244 on Askew in violation of National Collegiate Athletic Association re-cruting rules.

As part of its three-year probation, Kansas is now barred from defending the national championship it won last season, the first college ever to be so humiliated.

But the culprit won't stand trial. Like so many other times when the police knocked on his door, Larry Brown had skipped town. In a way, he even skipped the country. As the oew coach of the

San Antonio Spurs, he can't be ex-tradited from the National Basketball Association to be punished for the Kansas crimes that he tried to minimize last week.

"The saddest thing about it is that they spent two years on this thing." Brown said, alluding to the NCAA detectives. "And when I left Kansas to come to San Antonio I was led to believe this was no big deal, I now realize that every time you are investigated by the NCAA it's a big deal."

Brown acknowledged that he had handed \$364 to Askew for a ticket to visit his ailing grandmother, who died not long after that, "I'd give it to anybody if they told me his grandmother was pass-ing away." Brown said.

But as it develops now, Askew also received \$350 to pay an aunt's phone bill and \$183 for another plane ticket. So the saddest thing about it is that if Larry Bown didn't know what was going on, he

The delivery man for those payments, according to the Nov. 14 issue of Sports Illustrated, was 26year-old Mike Marshall, a former Kansas player who sometimes lived

Brown is now trying to disassociate himself from Marshall, saying: Uoder the rules, instead of ac- me. He adopted me years ago." But

Marshall was known as the coach's "black son." After two seasons at a Wyoming junior college, Marshall transferred back with them next season. How- to Kansas, where he was a guard on fore that Lake Charles, Louisiana, college was put on probation for improper payments to players.

One of those McNeese players

NCAA Studies Re-Opening Kansas Inquiry

NEW YORK - David Berst, assistant executive di-rector of enforcement for the National Collegiate Athletic Association, says the NCAA might reopen its investigation into the Kansas basketball

program.
Berst's comment came in response to an article in the Nov. 14 issue of Sports Illustrated magazine containing allegations from a former Kansas player that be made loans to Danny Manning, the former Kansas all-American.

Mike Marshall, who played for Kansas in the 1983-84 season, said he had lent Manning

money on several occasions.

Manning, through his agent,
Ron Grinker, acknowledged receiving several small loans "We're trying to contact the

sources of information to the magazine and find out more detail about the loans," Berst said Thursday. "I'm not char-acterizing this as an investigation. I'm trying to accumulate more facts before we decide whether it's something we should investigate further."

knowledged depositing \$15,515.44, most of it from McNeese boosters, in only six months.

While in Lawrence in recent years, Marshall also lent Danny Manning small sums that the all-America forward repaid.

The Marshall-Askew connection was enough to make the NCCA put Kansas on probation and also to consider the "death penalty," the shutdown of its basketball program for a year. The Marshall-Askew connection

was another reminder that, in skipping town, Brown again left his garbage strewn around the neighborhood streets.

He did that in 1984 when the New Jersey Nets' owner, Joe Tanb, fired him for secretly negotiating for the Kansas job while his NBA team was driving for the playoffs. He did that in 1981 when, nine

months after he joined the Nets, UCLA was put on probation. Of the nine UCLA recruiting violatioos, four occorred doriog disenchantment with the Denver

As a college coach, Brown soiled basketball shrines: UCLA, where John Wooden had a record 10 national championship teams in 12 years, and Kansas, where the legendary Phog Allen had been a disciple of Dr. James Naismith, the game's inventor nearly a century

But now Brown has abandoned his Kansas shrine and the college

EDUCATION

COLLEGES &

S. Africa Rugby Board **Backs Off ANC Contacts**

By William Claiborne Washington Post Service

pressure by the government of nates politics in South Africa.

President Pieter W. Botha for having talked with leaders of the outlawed African National Congress about racially integrating rugby, South Africa's rugby board said Friday that it would avoid any contact with the ANC or other political organizations committed to vio-

The decision by the board's executive committee followed a growing controversy over meetings in Harare last month, in which the rugby chief, Danie Craven, sought break a worldwide sports boy-

cott against South Africa through negotiations with the ANC.

The government's position on the issue appeared to rule out the sibility of any dialogue between etoria and members of the ANC, the main guerrilla force battling white minority rule in South Afri-

The meetings in Harare between Craven and the chairman of the Transvaal Province Rugby Board, Louis Luyt, and ANC officials of fered the first signs by the ANC that it would be willing to exert its "the ANC is everywhere in Africa influence on black-ruled African Their influence stretches far and states and the international antiapartheid movement to end South Africa's worldwide isolation in

that the rugby administration is widely regarded as a bastion of the JOHANNESBURG - Under Afrikaner establishment that domi-

However, the government condemned the talks as "absolutely unacceptable" and criticized the sports officials for talking with leaders of a "terrorist organization that is involved on a daily basis in terrorist attacks in innocent peo-

Craven, who had threatened to fight the government on the issue despite threats by Pretoria to cut government subsidies, on Friday read a statement during a board meeting that, "Any further contact with political organizations or or-ganizations committed to violence of whatever nature must be avoid-

However, the board pledged to "vigorously pursue" the merger of all rugby bodies in South Africa into a single, nonracial controlling body of the sport. Currently there are two major rugby unions — one predominantly white, the other black.

Craven also said that while rugby officials would not talk directly with the ANC as an organization, "the ANC is everywhere in Africa.

"A lot of people in South Africa support them; that is why I said the road through Africa is through the The talks were also significant in ANC."



ported.

The Yankees did not release John, but instead asked him to accept an outright assignment to their Class AAA minor league team in Columbus. They occded his con-sent because he has been in the major leagues for five years or

was Marshall, who reportedly ac-INTERNATIONAL CLASSIFIED

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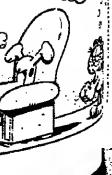
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By Michael Norman New York Times Service T OS ANGELES - Dennis Quaid is late. His voice L coach is waiting, but the day, as usual, comes

hard to him Quaid is holed up in the corner bedroom of his home in the Hollywood Hills. Like many of its neighbors, it is Spanish Revival outside, Inside, this particular house is a mess. The kitchen counter is littered with bottle caps and tacky with a viscous coating. All about are piles of unopened mail, record jackets and scripts. On the mantel, in the dust where they have fallen or were slain, are the corpses of cts. Everywhere is evidence of dogs - a basset hound, a golden retriever and a chocolate Labrador.

These days, it is a busy house. The actor, known in Hollywood for his fastidious research, is preparing for his next role, that of the hard-drinking, hard-playing virtuoso rock legend Jerry Lee Lewis, in the film "Great Balls of Fire."

Quald's last project, "Everybody's All-Ameri-can," has just premiered. The film, which also stars Jessica Lange and Timothy Hutton, is based on Frank Deford's 1981 novel about the rise and decline of a football legend, Gavin Grey, known as the Grey Ghost. It's a role that spans several stages in a man's life, and thus is the perfect vehicle for an actor who, at 34, has long portrayed characters much like himself — men, that is, with a lot of boy showing and wants to stretch, to prove he has depth and

As Gavin Grey, Quaid brings little of the overaged adolescent to the screen. There is nothing glib or offhand in his performance. The film's director, Taylor Hackford, says Quaid acted with "clarity and skill" and pronounces him "on the cusp of stardom." Dennis Quaid is a native of Houston, 6 feet, 150

pounds, little. He has dark brown hair with flaxen highlights. The eyes are sometimes gray, sometimes blue, depending on the light. The voice is a rasp, too

many Mariboros across too many years. He arrived in Hollywood in the mid-1970s. He has played in such forgettable films as "Jaws 3-D" and "Enemy Mine," but gained his first notoriety in "Breaking Away," a 1979 film in which he appeared as an embittered working-class tough. In 1983 came "The Right Stuff," followed by "D.O.A," "Suspect" and "Innerspace," It was his performance last year in "The Big Easy" that put Dennis Quaid on the

The film, with its steamy, New Orleans milieu, focused on the love affair between a corrupt, albeit redeemable, police detective and an assistant district

attorney, played by Ellen Barkin.
"It was his first major role," says the film's director, Jim McBride. "He never before had the role that made the best use of his qualities, this kind of cocky, appealing wise-guy way. He turned out to be the salvation of the movie. In the screenplay, the character was a really unpleasant, oily guy. Dennis found a way to make him appealing and likable. He finally got the part of the romantic leading man."

Those who have worked at his side remark on his professionalism. "He's able to take a dispassionate look at himself," says McBride. But at times, Quaid seems to live in a child's world. His bedroom is decorated in a cowboy motif. The bed is custom-

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Quaid rehearsing for his role as the rock singer Jerry Lee Lewis in "Great Balls of Fire."

made of rails shaped like fence posts, and the wall trim is knotty pine. Across a chair in an antercom rests a black leather saddle.

In this other world, which extends well beyond the bedroom, Dennis Quaid has another identity, Buck Gibson, a longstanding joke between him and those closest to him. As Quaid envisions him — and occasionally acts him — Buck Gibson is an old-time, homey entertainer with country and western over-tones. He is host of a network television show, "Buck Gibson's House Party," which features a choral group called the "Gibsonaires" and a dance troupe, the "Buckettes,"

Quaid and his personal assistant, Greg Holden, an affable ex-cop from Louisians, have a good time in Buck Gibson's world — "Mornin', Buck." "Mornin', Beau Regard." It is their retreat, a place to withdraw

from the public eye.

Heretofore, this penchant for play has served
Dennis Quaid well, Directors could see it was ingenuous and wanted that quality for their films. Peter Yates, who directed the actor in "Breaking Away" and "Suspect," says there is a "certain rawness" him, "an enormous enthusiasm." In "Everybody's All-American." Taylor Hackford wanted him to play "the quintessential hero, a guy who has been blessed with the ability to perform brilliant acts, not an ultra-complicated, calculating gay."

In fact, it was a subtle and somewhat complex

role, unlike anything Quaid had ever played.

Gavin Grey is a football star, the hero of bowl

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games who marries the campus Magnolia Queen, played by Jessica Lange, then turns professional. The movie tracks his life across 25 years to his retirement, the story of an athlete as his gifts diminish and he attempts to hang on to his past.

In one climactic moment, Grey realizes that his wife and best friend have been secret lovers. The

with any heat ment have been secret lovers. The sting of the betrayal is palpable; Quaid, his face bloated with age and dissipation (he added 40 pounds to play the part) shows no evidence of the irrepressible boy of so many of his other films.

"I realized this was the first time I had such a full part," Quaid says. "It was spread out over an entire movie. There was no need to try to do everything in one scene. That comes from the days when I was a supporting actor; you go in there like a fireball. I used to be a little overintense. Most actors, when you

start out, you make sure you get in your licks early. Deams Quaid is the younger brother, by three-and-a-half years, of Randy Quaid, a character actor who achieved wide critical acclaim in "The Last Detail," among other films. Growing up, the brothers shared the same room in a modest house in a Houston suburb. Dennis was the extrovert; Randy, more self-contained. They lived a "Beaver Cleaver" childhood: BB gams, baseball games, nifty cars and shopping centers. Their parents, who separated when Dennis was 14, gave them what turned out to be the essentials for an actor's life; pluck, the habit of hard work and the inspiration that can come from a missed opportunity.

The work ethic came from Nita Quaid, their mother, "I taught them not to just talk about something," she says today, "but to accept the challenge and go do it"

But it was likely that their father, the late William R. (Buddy) Quaid, was the one who incited them to act. Buddy, an electrician who bore an uncanny resemblance to the 1940s actor Dana Andrews, is remembered as a voluble and gregarious man who loved to sing and perform for his family.

Dennis went to the University of Houston, where, by his own account, he slept through most of the curriculum, save acting. In his jumor year, in the company of an older friend, he set out for Holly-wood to follow in his brother's footsteps. Once there, he took a page from his mother's book and put in scores of calls to dozens of casting directors until, at last, he got a part. One performance led to another. With "Breaking Away" came good notices. He had married the actress P.J. Soles. He got more parts. Then life turned sour.

The marriage broke up; he was, he says, too young to make it work. And he was taking dreadful roles in dreadful films just to make money. He had tried to build a dream house in rural Montana and ended up staring at a wall of debt. At one point, he abandoned Hollywood and went to New York, where he costarred with brother Randy in Sam Shepard's play,

"True West," and his confidence returned On this particular morning, seated at the grand piano in the living room, which, has been turned into an impromptu recording studio, Quaid is Jerry Lee Lewis — or as close as anyone is likely to come. He has been trying to "get into character" since April 15, when shooting ended on "Everybody'a All-American." Three to five hours a day, every day, he takes pisno and voice lessons. He has practiced so incessantly that Greg Holden cannot stand to be in the house any longer and is ready to abandon Buck-

The title song has to be perfect. His performance - indeed, the movie itself - will turn on it. "The risk is great with this role," Quaid says. "The man is a rock 'n' roll classic. I'm biting off a real big chunk."

Quaid will mention "the method," but like many actors, he doesn't intellectualize his labor. "I'l sound like Jerry Lee Lewis if I can get inside of him," he says. "For a week I've been putting my voice up a register. Jerry Lee talks and sings from the middle of his face. So, I start with the outside, the imitation, get the gestures down so well I can forget them. Then, the outside leads me to the inside. Then it comes

Following "Great Balls of Fire," Quaid says, be plans to give up acting for a year and play in a rock band. He says he would use a subbatical as a test, a kind of search for a musical self. "The music is not a diversion," he says.

"I'm not giving up being an actor. I want to be both. I just want it all and I want it now. I'm just like

Michael Norman is the author of "These Good Men," a book about war and contradeship to be published next year. This is excepted from an article ritten for The New York Times Magazine.

PEOPLE

Bakkers Ordered to Pay

Fin and Tannay Bakker, along of Franklie D. Roosevelt and John with a former top aide, must repay F. Kennedy.

\$7.7 million to FIL for reaping undeserved profits and mismanag-ing the TV ministry, Judge Radus Reynolds ordered in Columbia, South Carolina. Reynolds said he determined that the Bakkers and the former PTL vice president David Taggert were overpaid during their last four years at the ministry. PTL, now under administration of the bankruptcy court, had sued the Bakkers and Taggart last Feb. 1 for \$52 million. Reynolds's judgment is the first time any court has ruled that Bakker or other PTL leaders used PTL donors' money improp-

Lorin Manzel has returned to his musical roots to direct the Pittsburgh Symphony Orchestra, which he first joined in his teens as a fulltime violinist and apprentice conductor. Mazzel made his debut Thursday night as music director of the 100-member orchestra, filling a vacancy created by the departure of André Previa more than four years ago. It was a happy and much-heralded homecoming for Mazzel, 58, who has worked with several orchestras in Europe, Mas-zel, born in Paris to American parents, moved to Pittsburgh as a youth to study violin under Vladi-mir Bakaleinikov.

The security firm run by former Nixon side and convicted Watergate burglar G. Gordon Liddy has filed a Chapter 11 bankruptcy petition seeking protection from credi-tors. Founded by Liddy two years ago, the firm provides armed guard services to customers. It also employed an anti-terrorist team called "Hurricane Force," which Liddy said was available to rescue kidnapped company executives.

The violinist Isaac Stern will be the honorary chairman of a committee to hand out awards named after opera great Marian Anderson and simed at furthering the careers of young American singers. The Marian Anderson Celebration Committee will seek to raise \$500,000 for a permanent fund to finance the annual awards. Anderson, who has lived in Danbury since she retired in 1945, was the first black opera star to perform at the Metropolitan Opera in New York and sang at the inaugurations

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Bill Cosby, star of the highest-rated show in U.S. television histo-ty, will return to NBC for a sixth season of "The Cosby Show." "I will work even harder to ensure that people get what I consider to be quality," Cosby said in a state-ment announcing the deal Thursday. "I love my job and take great pride in doing it." Since its debut in 1984, "The Cosby Show" has been almost single-handedly responsible for NBC's dominance in the Nicksen ratings. The situation comedy chronicles the minor domestic dilemmas of the Huntable family.

Beauty turned diplomat on Thursday as Miss Universe 1988 came to the United Nations as a fully accredited representative of Thailand to plead on behalf of dis-advantaged children everywhere. "If we work together, I believe we can make a difference in the lives of children everywhere," Porntip Narkhirmkanok told the General Assembly's social committee.

A lament by Connecticut's poet lameate about his village grocery store may have lost the store. "November Ode," a poem by James Merrill, winner of the Pulitzer Prize, has won him some admirer in Stonington, Connecticut, by also the ammosity of the grocer and others who found his portrayal unfair. To those who live in Stonington borough, which has fewer than 3,000 residents, there is no mistaking the "dear dim local grocery" mentioned unflatteringly in the poem. It is Roland's Market, the borough's last grocery. Ronald Albannounti, 39, is the first to admit that life is changing in the borough, and that at the market "things just haven't been the same" since his father, Roland, died last year and he took over. But he said he was deeply hart by Merrill's poem, which he views as a personal attack. With three large supermarkets within 12 miles of the borough, Albamonti said he decided to make Roland's more like a deli than a full-service grocery. The poem w the final straw for Albamon Gauging that the public generally shared the sentiments expressed by Merrill, Albamonti said he reached a tentative agreement this week to sell the business and the property.

PERSONAL MESSAGES THANK YOU Second Heart of James	MO	VING	II	NTERNA	ATIONA	L CLA	SSIFIE	\mathbf{D}	EMPLOYMENT DOMESTIC	THE COBURG HOTEL
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formation under 11 U.S.C. Section 125 of the Third Amended Declares Internated the Declares Statement	tions and come subsition of and come and a find	schore contained in	with the Court, together with proof of service, and served on the following on or before December 14, 1986: SHENFED, MALEY & KAY 3700 First Chy Tower House, Tests 77002 Administration, Tests 77002 Administration of the Course for Declaration ACM, GUMP, STEALISS, HAUSE & EFD.			BUSINESS	FINANCIAL SERVICES	mediatuly. Must love children, light househeaping & cooking, 3 children (3- 11 yest, Places write to: Dr. Spera.	Soles - shipping - insurance. We leep a constant stuck of most European and legantee makes competitively priced. (No IRID or US Special, Auk for our multi-color catalog.	Spain, Partugal, France, Italy Germany, Switzerland, Austria, Turkey, Yugaslavia,
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o encisis hypothetical receptable in- estors, typical holders of clares and sterests of all relevant clares to make	the holders of against uny of it or reject the Mas	claims and interests or Deblors may accept a, and it is further	Attention: Dean M. Gondy, Esq. Countel for the levester	(713) 658-8881 DATED: November 2, 1988	back, indicate which major	sures. Details viz: M.N.L., Suite 6131, 5030 Champion Bed., Boon Raton,	No Commission Until Funded Brokers Protected	south of France (14) 42 92 00 35.	Belgieri. Tel 03/231 1653, Tz 31535	Telex U.K. 94011107
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